TOTAL FOUNDATION SOLUTIONS

VAN ELLE HOLDINGS PLC

ANNUAL REPORT AND ACCOUNTS 2020

VAN ELLE
TOTAL FOUNDATION SOLUTIONS

WE ARE THE UK'S LARGEST INDEPENDENT GEOTECHNICAL ENGINEERING CONTRACTOR

OUR VISION

To be the leading, most trusted provider of total foundation solutions.

OUR POSITION

MARKET-LEADING CAPABILITIES

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

STRENGTHENED FINANCIAL POSITION

We have strengthened our balance sheet with a successful capital raise and repayment of all outstanding loans. Combined with a well-invested rig fleet and significant cash balance we have significantly improved our financial position.

SIGNIFICANT FUTURE OPPORTUNITIES

We continue to see significant opportunity across our core target markets, being residential, infrastructure and regional construction supported by government commitments to investment and post-Brexit opportunities.

Highlights

REVENUE (£m)

£84.4m

-4.6%

UNDERLYING OPERATING (LOSS)/PROFIT (£m)*

£(0.3)m

-104.9%

* Underlying measures exclude share based payments and other non-underlying items.

OPERATING (LOSS)/PROFIT (£m)

£(1.6)m

-135.3%

NET FUNDS/(DEBT) (£m)**

£4.8m

**Net funds excluding IFRS 16 lease liabilities relating to property leases.

OPERATING CASH CONVERSION (%)

175.0%

+64.7%

- Second year of transition for the business
- Completion of restructuring to simplify divisional structure which commenced in 2019
- Successful co-location of all operations to the main site in Kirkby-in-Ashfield from May 2019
- Implementation of the new vibro stone column capability
- Investment in rail techniques with the expansion of the patented track bed stabilisation system
- Profitability of the Group in the last six weeks of the year heavily impacted by COVID-19
- Timely actions in response to the pandemic including a successful share placing

P11 Read more about our progress in the operational review

IN THIS REPORT

Strategic report

Corporate governance

Financial statements

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

INTEGRATED CAPABILITIES

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

01 Delivering solutions across dedicated operational segments

GENERAL PILING

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

REVENUE SHARE

34.7%

P11 Read the operational review

SPECIALIST PILING

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

REVENUE SHARE

30.1%

P12 Read the operational review

GROUND ENGINEERING SERVICES

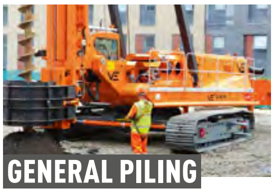
Offering a range of ground investigation expertise and modular foundation solutions.

REVENUE SHARE

35.0%

P13 Read the operational review

02 Providing a comprehensive service offering



GENERAL PILING

RETAINING WALLS AND BASEMENTS

GROUND STABILISATION AND IMPROVEMENT

MODULAR FOUNDATION SYSTEMS

GROUND INVESTIGATION AND TESTING

RAIL GEOTECHNICAL AND GROUND ENGINEERING

SPECIALIST PILING

CONSTRUCTION AND GEOTECHNICAL TRAINING

03 Targeting service solutions across four key end markets

RESIDENTIAL

REVENUE SHARE

49.0%

6.4% GROWTH IN YEAR

INFRASTRUCTURE

REVENUE SHARE

28.4%

-13.4% GROWTH IN YEAR

REGIONAL CONSTRUCTION

REVENUE SHARE

22.2%

-14.9% GROWTH IN YEAR

P16 Read more about our end markets

P18 See our business model

OUR PLATFORM FOR FUTURE SUCCESS

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

A LEADING UK PLAYER

- Providing first-class ground engineering services to a wide variety of customers
- Strong management team and operating model
- Self-funded growth across the Group

DIFFERENTIATED OFFERING

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

ATTRACTIVE MARKETS

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

WELL-INVESTED PLATFORM

- The UK's largest and best invested rig fleet covering over 20 forms of geotechnical, ground improvement and piling techniques (circa £50m over the last six years)
- In-house support functions
- Highly skilled incentivised workforce

STRONG FINANCIAL POSITION

- A well-invested rig fleet and net funds position
- Track record of converting profit into cash

CLEAR STRATEGY FOR GROWTH

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

REPOSITIONING FOR GROWTH

We successfully relocated all of our operations to our main site in Kirkby-in-Ashfield in May 2019. The Group retains a number of satellite offices to support regional customer relationships.

118 RIGS

517 AVERAGE HEADCOUNT

£52m CAPITAL INVESTMENT 2015–2020

A CHALLENGING YEAR WITH CONTINUED MARKET UNCERTAINTIES

Overview

The Group's financial performance was impacted by challenging market conditions as a result of Brexit uncertainty and the significant impact in Q4 by COVID-19, with the majority of sites closed in late March and throughout April, reducing revenues by approximately £10m compared to pre-COVID internal expectations. Over the full year, revenue was £84.4m compared to £88.5m in 2019. These impacts resulted in an underlying operating loss in the year of £0.3m (2019: £5.2m profit).

Nevertheless, the Group made good progress in the delivery of its strategic plan during the year, focused on improved operational performance, and establishing strong market positions for future growth. This has been achieved despite a very challenging year with continued uncertainties in the construction market causing a general slowdown in contract deployment and the significant impact of the COVID-19 outbreak and government response on the UK construction markets.

The streamlining of the business, including the successful co-location of all operations onto the main site in Kirkby-in-Ashfield and changes to the senior leadership team were completed during the year. Significant progress continues to be made on: improving engagement with strategic customers; fostering an improved commercial and business development focus; and strengthening performance review and commercial processes across the business. Alongside this, we have introduced a new human resources team to support the focus on staff engagement and retention.

The impact of COVID-19 was felt across all sectors of the business with many customer sites closed and projects paused during March and April. Against this backdrop, the Group took swift and decisive action to protect the business, its employees and its customers throughout the period of the pandemic and is now well placed to take full advantage of growth opportunities as markets recover.

Notwithstanding current market uncertainty, the Group remains a leader in the UK geotechnical engineering services market where significant opportunities exist across our target markets of Housing, Infrastructure and Regional Construction, much of which remains well funded and/or are underpinned by long-term structural growth dynamics.

Capital allocation

The Group's capital structure is kept under constant review, taking account of the need for, and the availability and cost of, various

sources of finance. The Group's objective is to deliver long-term value to its shareholders whilst maintaining a balance sheet structure that safeguards the Group's financial position through normal economic cycles. To this end, the Group is in advanced stage negotiations over a new lending facility which, when concluded, will provide greater headroom for growth.

Investment over recent years has positioned the Group strongly, with a large, modern rig fleet, capable of delivering a broad range of services efficiently. In the short term, capital expenditure on rig fleet expansion will continue to be considered on a selective basis where a compelling investment case exists. Bolt-on acquisitions will be considered where they present an opportunity to enhance shareholder value.

Capital raise

Given the current wider market uncertainties, particularly as a result of COVID-19, the priority focus continues to be strong management of working capital. In order to provide the Group with sufficient headroom to withstand a COVID-19 downside scenario, in April 2020 the Group raised £6.3m net of expenses through a well-supported equity fundraising. On behalf of the Board, I would like to express our gratitude to our shareholders for their continued support of the business.

Dividend

In light of the Group's performance and reflecting the importance of prudent cash management as the Group's markets recover from the COVID-19 pandemic, the Board is not recommending a final dividend for FY2020.

The Board fully recognises the importance of dividends to shareholders and the creation of shareholder value and will review the dividend approach once the current period of disruption has passed.

Board and governance

In February 2020, I notified the Board of my intention to step down as Non-Executive Director and Chairman at the sooner of the conclusion of the next annual general meeting or the appointment of a successor.

Frank Nelson joined the Board as Non-Executive Director and Chair designate on 1 July 2020. Frank will assume the role of Chair following the release of these financial results and I will retire from the Board on 31 August 2020. I would like to extend a warm welcome to Frank on behalf of the Board.

In February 2020, Charles St John and Graeme Campbell were appointed to the Board. Charles joins the Board as an Independent Non-Executive Director and Graeme as Chief Financial Officer, replacing Paul Pearson who resigned from the Board in October 2019.

Robin Williams, Senior Independent Non-Executive Director, who has served on the Board since the IPO, will also step down from the Board on 31 August, in line with his resignation announced on 6 February. Charles St John will take over as Chair of the Audit Committee.

On behalf of the Board, I would like to thank Paul and Robin for their service and support.

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

People

During the year senior team changes have been embedded and I am pleased that the strengthened leadership team ensures we have the optimal mix of experience and capability as we develop the platform to grow the business.

> “CUSTOMER FOCUSED APPROACH AND COMMITTED INVESTMENT PROGRAMMES ACROSS SEVERAL SECTORS, GIVES THE BOARD CONFIDENCE FOR THE GROUP'S PROSPECTS OVER THE MEDIUM TERM.”

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

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

Outlook

Whilst the majority of customer sites have safely re-opened and trading for the first quarter of FY2021 was encouraging in the circumstances, the exact trajectory of the wider industry recovery remains uncertain. The Board is mindful that this market uncertainty will likely persist well into the current financial year. However, the Group's customer focused approach and committed investment programmes across several sectors, gives the Board confidence for the Group's prospects over the medium term.

Adrian Barden
Non-Executive Chairman
19 August 2020

ESTABLISHING STRONG MARKET POSITIONS FOR FUTURE GROWTH

HIGHLIGHTS

- Second year of transition for the business
- Completion of restructuring to simplify divisional structure which commenced in 2019
- Successful co-location of all operations to the main site in Kirkby-in-Ashfield from May 2019
- Implementation of the new vibro stone column capability
- Investment in rail techniques with the expansion of the patented track bed stabilisation system
- Good progress in increasing market share of the piling and modular foundation market
- Highways sector has delivered sustainable opportunities
- Profitability of the Group in the last six weeks of the year heavily impacted by COVID-19
- Timely actions in response to the pandemic including a successful share placing

Overview

Wider uncertainties in the construction market as a result of Brexit continued to impact the Group throughout a challenging year, although optimism remains over longer term prospects, particularly after the general election and subsequent firm commitments to government investment, and support for, infrastructure and housing construction.

The Group has made good progress in the delivery of its strategic plan, focused on improved operational performance and establishing strong market positions for future growth.

During the year much of the restructuring has been completed with a streamlined five-division structure now in place. Senior team changes are now embedded, including the appointment of Malcolm O'Sullivan to lead the General Piling division in June 2019. Greater internal collaboration has also been facilitated by the successful co-location of all operations on our main site in Kirkby-in-Ashfield from May 2019.

As a recognised technical leader in the market, the Group continues to invest in development of its specialist capabilities, including progressing the implementation of its new vibro stone column capability and several techniques in the rail sector including a wider ground investigation capacity and expansion of its patented track bed stabilisation system. As indicated last year, capital expenditure of rig assets has been reduced with focus on improved utilisation of the modern 118 strong fleet.

In the first half of the year, the Group reported some margin deterioration from two particularly challenging projects, both of which have since been completed although commercial discussions continue in order to recover our full entitlement.

Despite the challenging market conditions, consistent with previous years, the Group delivered a wide range of services across its core sectors of housing, infrastructure and regional construction, with circa 1,100 projects delivered in the year.

The year ended with the business withstanding the unprecedented circumstances resulting from COVID-19, following a post-Christmas period of very poor weather. In response to the pandemic the Group undertook early and decisive actions to protect its cash flow, reduce costs and safeguard the health of its employees. The impact on construction activity was felt across all sectors: housing sites closed completely, construction projects were substantially paused, and critical infrastructure schemes continued where safe to do so but with reduced productivity. In addition, construction in Scotland, where the Group has a substantial presence, ceased for several weeks. As a result, revenues were impacted heavily in March and by as much as 80% in April, the final month of the financial year.

To provide the Group with sufficient headroom to withstand a COVID-19 downside scenario, the Group took early action in April 2020, raising net proceeds of £6.3m from institutional investors. This leaves the Group well positioned with a strengthened balance sheet to take full advantage of growth opportunities as market conditions recover. The Group's cash performance has tracked ahead of the mid-case scenario modelled to support the fundraising.

Throughout the year the Group has continued to focus on staff engagement and retention. A new human resources team has supported delivery of the early stage of our people strategy, which included our first Company awards event in December 2019.

Strategic approach

The Group remains a leader in the UK geotechnical engineering services market. Our strategy is focused on twin workstreams targeted on delivering sustainable profitable growth in the medium term:

1. Phase 1 is improving the operational performance of the business through simplifying the structure, addressing operational weaknesses, improving leadership capability, strengthening commercial capability, targeting cost reduction and efficiency improvements and employee engagement activities.
2. In Phase 2 the Group positions for future growth by developing clear strategic plans for our core sectors of housing, infrastructure and regional construction, developing customer account plans and relationships, maximising our integrated solutions offering, broadening our range of products and services and extending our geographical footprint into high growth markets across the UK.
3. Phase 3 of our strategy targets sustainable, profitable growth as the Group capitalises on the potential opportunities presented by construction market recovery with medium-term objectives set out in the Group's statement of 9 April 2020, being: revenue growth of 5–10% per annum; underlying operating margins of 7–8%; and a return on capital employed of 15–20%. The Group will track these additional performance targets to assist with measuring the success of strategic progress.

Good progress has been made during the year on the transition plan, including the completion of the management restructuring, full co-location of personnel on our main site in Kirkby-in-Ashfield, improved bidding and customer engagement processes, consistency of our approach to operational delivery through our Perfect Delivery model, strengthening of the commercial function, a re-launch of our health, safety and quality initiatives and ongoing cost reduction activities. Investment in wider specialist capability has also continued with development of several innovations and techniques in the period including our vibro capability and rail specialisms.

There are therefore three main enablers of the strategy:

- a diverse sector coverage and strategic customer base;
- breadth of specialist techniques, well-invested rig fleet and operational excellence; and
- experienced management team, engaged employees and collaborative operating model.

This strategy is unchanged from that announced at the end of FY2019, but recovery of our core markets remains uncertain post COVID-19. One of the benefits of a more collaborative, streamlined business model is that the Group can more easily redeploy resources and assets to stronger market segments and preferred customer programmes as it monitors and responds to emerging activity levels.

We continue to see significant opportunity across our core target markets, being residential, infrastructure and regional construction. Since the late 2019 general election, the Group is reassured by both government commitments to investment and the post-Brexit opportunities.

In March 2020, the UK Government announced its five-year Infrastructure Plan including £640bn of funding in roads, rail, power networks, schools, hospitals and telecoms and, since then, further announcements have committed to accelerated funding over the next year.

The nature of Van Elle's typically lower risk, mid-sized project range supported by a diverse range of specialist capabilities and expertise in regulated project environments mean we are well positioned to benefit from these investment programmes:

- Residential constitutes approximately 50% of Group revenues, including private and social housebuilding and larger residential developments, all of which are expected to remain resilient.
- Infrastructure includes highways, railways, coastal and flooding and power and energy segments, for all of which the Group has considerable experience and a strong track record. Highways England's RIS2 programme, including the new £4.5bn Smart Motorways Alliance, is expected to support further progress in highways. Although initially subdued throughout FY2020, the Group is well positioned for future growth in Network Rail's CP6 investment programme and future rail electrification programmes. The confirmation of notice to proceed on High Speed 2 phase 1 is also a significant opportunity for the Group.
- Regional construction includes the general private and public sector building and developer-led markets across the UK which, post COVID-19 and Brexit, are anticipated to support continued growth including previously targeted distribution and logistics and mixed-use sectors.

> “IN RESPONSE TO THE PANDEMIC THE GROUP UNDERTOOK EARLY AND DECISIVE ACTIONS TO PROTECT ITS CASH FLOW, REDUCE COSTS AND SAFEGUARD THE HEALTH OF ITS EMPLOYEES.”

Markets

Performance across many of our markets has been impacted by a combination of lower customer confidence, delayed decision making and, in turn, increased competition and pricing pressures.

The housing sector was relatively buoyant, and during the year the Group made progress in increasing its market share of the piling and modular foundation market although margins have been under pressure from competitor pricing and some operational inefficiencies.

The rail market continued to experience delays in reaching expected activity levels in the early stages of Network Rail's CP6 programme and the completion of committed electrification schemes.

After a period of project slippage, the highways sector has delivered sustainable opportunities, with the Group active on six smart motorways projects in the year and further strong prospects ahead in 2021 and beyond.

In regional construction the market remained highly competitive as Brexit uncertainty impacted developer confidence and continued delays to the start of High Speed 2. However, the logistics sector continued to be buoyant with several large distribution projects completed in the year.

COVID-19 update

The Group experienced a sharp downturn in revenue as working restrictions and site closures impacted from mid-March. In April, 80% of revenues were lost and this has recovered to 30% below normal levels at the end of July.

COVID-19 update continued

At the peak of the COVID-19 lockdown, the Group furloughed 50% of its total workforce and pay reductions and other cost reduction measures were implemented. However, several projects remained open and, with the support of our customers, our employees were able to adapt to new ways of working, overcome travel and accommodation challenges, and deliver safely and productively throughout. At the end of July, 25% of our workforce remains furloughed.

As a result of reduced workload since April and operational efficiencies identified across the Group, fewer than 20 redundancies have been consulted or processed to date.

Operating performance

Last year we reported the launch of the Group's Perfect Delivery programme in response to inconsistent project delivery and commercial weaknesses in several divisions, notably in General Piling. This work continued in FY2020 alongside leadership changes in four out of five divisions, supplemented by strengthened project management, commercial management and business development capabilities.

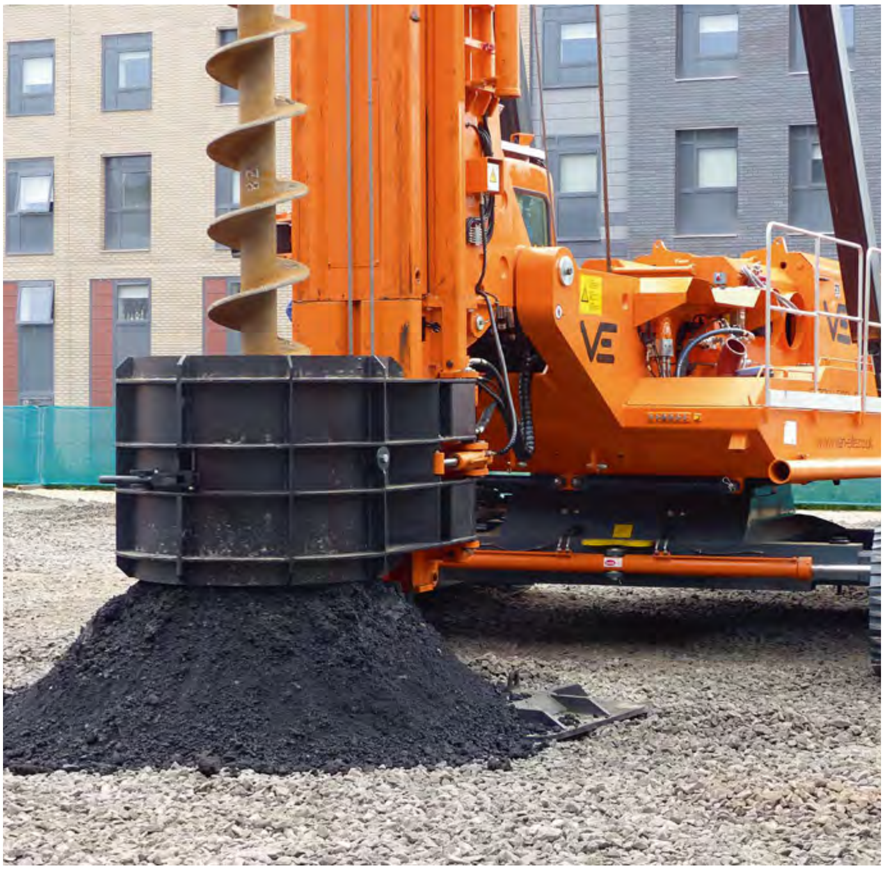
Financial performance in the year was heavily impacted in Q4 by the COVID-19 pandemic following a year of challenging market conditions as a result of Brexit uncertainties which affected the wider construction industry. Over the full year, revenue was £84.4m compared to £88.5m in 2019. Underlying operating margins reduced from 5.9% in 2019 to -0.3% in 2020.

Operating structure

As with last year, we report our operating performance in three segments as follows:

- General Piling: open site, larger projects; key techniques being large diameter rotary and CFA piling as well as larger precast driven piling;
- Specialist Piling and Rail: restricted access, rail mounted capability, smaller rigs and engineering techniques, including soil nails, anchors, mini-piling and ground stabilisation projects; and
- Ground Engineering Services: modular foundation solutions (e.g. Smartfoot), ground improvement (vibro) and geotechnical services (trading as Strata Geotechnics).

Overall, the Group experienced delay and uncertainty in its regional construction markets due to Brexit, positive progress in highways, subdued activity in rail due to delayed commencement of Network Rail's CP6 programme and consistent activity levels in the housing sector.



Rig fleet

Rig investment in the year has been modest with one new rig procured in the Housing division. The business has concentrated on actions required to improve rig utilisation and reliability plus the development of new vibro capability, including two second-hand acquisitions. The total fleet size now stands at 118, up from 115 last year, incorporating some rig disposals and the conversion of previously under-utilised rigs.

Board changes

I would like to express my thanks to the directors who are retiring in August, in particular to Adrian, who has served as Chairman since IPO, and throughout a period which has seen significant transitional challenges, and has now brought us to a strong operating base and an experienced management team from which to grow.

We welcome Charles and Graeme to the Board during the year, and Frank as our incoming Chairman.

Summary and outlook

This has been a second year of transition for the business, having continued to strengthen the leadership team, improve our commercial approach, streamline operations and focus on our key customers.

This transition has coincided with a year of challenging market conditions and latterly the impact of COVID-19 which has heavily impacted the year-end profitability of the Group. However, as a result of actions taken the business is in a strong financial and operational position to fully benefit from improved market conditions in all its core sectors as the industry recovers to normalised trading levels towards the end of 2021.

Quarter 1 of FY2021 has seen an encouraging resumption of project workload, up to 70% of prior year levels in June, up from a low point of only 20% in April, although not all divisions are recovering at the same rate. The Group continues to monitor workload resumption and productivity levels and remains cautious over the impact of further COVID-19 outbreaks. As a result, the Board believes it is too early to reinstate guidance for FY2021.

A further trading update will be issued for the Annual General Meeting, scheduled for 28 September 2020.

Mark Cutler
Chief Executive Officer
19 August 2020

GENERAL PILING

DIVISION HIGHLIGHTS

REVENUE (£m)

£29.3m

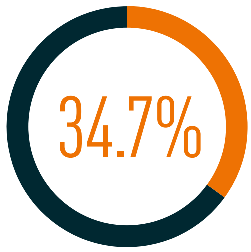
-21.2%

OPERATING PROFIT/LOSS (£m)

£(2.0)m

-266.7%

REVENUE SHARE



WHAT WE DO

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

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

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

OUR YEAR IN REVIEW

The General Piling division has the largest fleet within the Group and offers a wide variety of larger piling techniques (rotary, CFA and precast driven) for open-site construction projects.

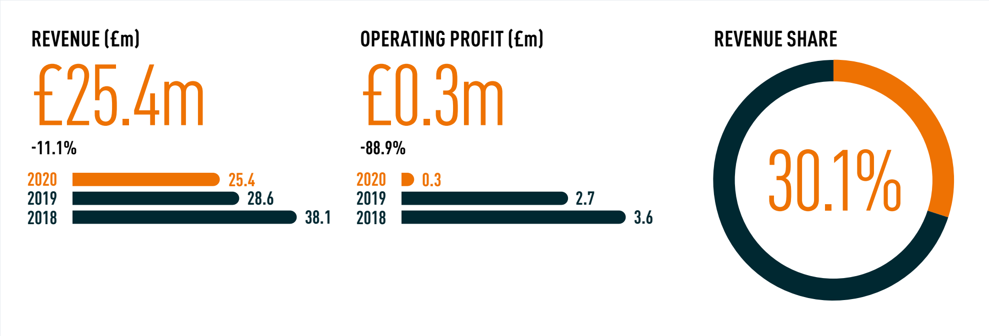
Revenue contracted by 21.2% in the year to £29.3m (2019: £37.2m), suffering from the uncertainties in the markets for the reasons described above as well as the significant impacts of COVID-19 in the later weeks of the financial year.

As we experienced in 2019, challenging market conditions also resulted in low utilisation of our large diameter rotary and CFA piling rigs which are the higher margin techniques in this division. A problem contract in the first half of the financial year, for which commercial claims are being pursued also weakened blended margin performance, resulting in a reduction in underlying performance with an underlying operating loss of £0.9m (2019: underlying operating profit £1.2m).

Malcolm O'Sullivan, former managing director of Balfour Beatty Ground Engineering, was appointed as the new General Piling Director in June 2019 and since then the division has strengthened work winning, operational and commercial capabilities.

SPECIALIST PILING

DIVISION HIGHLIGHTS



WHAT WE DO

The Specialist Piling segment comprises the Specialist Piling and Rail divisions which have closely aligned capabilities.

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

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

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

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

OUR YEAR IN REVIEW

In the Specialist Piling division, revenue was approximately 11% lower at £25.4m (2019: £28.6m). The division benefited from a strong performance in the highways sector with a presence on six smart motorway projects in the year, with several ongoing into 2021. Last year we reported a short-term revenue reduction due to the decision to cease exposure to lump sum drill and grout activities following poor margins from works delivered in 2018. Revenues from this activity have stabilised around a more selective customer base and margins are now satisfactory.

The Rail division endured a year of subdued revenues as a result of delayed CP6 funding and the conclusion of major electrification programmes in mid 2019. The Group's track bed stabilisation system has developed positively with the completion of further projects in 2020 supported by an expanding library of test data, including with Irish Rail. We expect this technique to make further positive impacts in the UK and in Europe in the medium term. The Rail business also invested in expanding its ground investigation capabilities in conjunction with Strata Geotechnics, delivering several important projects in 2020 reflecting the Group's strategy to target early involvement in key projects. As a consequence of the reduced revenues, as well as the adverse mix with lower volumes of Rail work, underlying operating profits fell to £0.3m (2019: £2.7m).

GROUND ENGINEERING SERVICES

DIVISION HIGHLIGHTS

REVENUE (£m)

£29.6m

31.0%

OPERATING PROFIT (£m)

£0.2m

-84.6%

REVENUE SHARE

WHAT WE DO

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

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

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

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

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

- ground investigation and geoenvironmental consultancy;
- grouting;
- vibro stone and vibro concrete columns;
- contiguous flight auger piling;
- driven piling; and
- Smartfoot® precast modular foundation system.

OUR YEAR IN REVIEW

Revenues of £29.6m represented a 31% increase on the prior year (2019: £22.6m).

Our Housing division delivers integrated piling and Smartfoot foundation beam solutions to UK housebuilders. The division benefited from increased revenues as a result of increased market share. However, competitive pricing, investment in vibro capabilities and some operational inefficiencies, as well as the impacts of COVID-19 in the later weeks of the financial year, resulted in underlying operating profits reducing to £0.2m (2019: £1.3m).

The housing sector is expected to move increasingly to modern methods of construction as the time and resource savings of modular foundations become better appreciated. To supplement our all-round service offering to housebuilders the Group has completed its investment in six vibro stone column (vibro) rigs in the year with early performance in line with our expectations for this start-up activity, including the award of our first ground improvement projects in the highways sector and on High Speed 2.

Strata, our Geotechnical division, reported revenues of £5.1m (2019: £4.0m). As in the prior year, the blended margins were impacted by reduced pile testing volumes because of lower revenues in the General Piling division. Similar to the wider Group, the division has made good progress in the highways sector, culminating in the award in Q4 of a place on Highways England's four-year national ground investigation framework.

Our year in brief

MAY

- New Vibro capability launched
- Don Viaduct scheme completed on the Highland Enhancement Project
- New open plan offices opened in Kirkby

JULY

- Investors in People Silver award maintained
- M1 Smart Motorway contract award circa £6m for Costain Galliford Try JV
- First cohort of 10 piling apprentices commence industry-first scheme in partnership with Sheffield College

SEPTEMBER

- Van Elle completed the first rotary bentonite piling project at the A63 Hull

2019 >

JUNE

- Ground Engineering Award for Innovation for the VEMOG ground investigation road/rail rig
- Malcolm O'Sullivan joined to lead the General Piling division

AUGUST

- M27 Smart Motorway contract award circa £3m for BAM Morgan Sindall JV

OCTOBER

- Final pile installed on Midland Mainline Electrification scheme after three years and circa 2,000 foundations

NOVEMBER

- 5th Vibro rig commissioned
- New lorry mounted rigs deployed on Smart Motorway projects
- Completion of major online warehouse logistics project at Summit Park Mansfield – a key market for the Group

DECEMBER

- First company annual awards event held at Pride Park, Derby
- Christmas rail works completed successfully on four major schemes across the UK network

2020 >

JANUARY

- Strata complete their largest ever ground investigation contract for Skanska on the A428 near Peterborough
- National apprentice week – Van Elle commits to employ 5% of all staff under training programmes

FEBRUARY

- First overseas rail ground investigation scheme undertaken on the Paris Metro using the award winning VEMOG drilling rig
- Strata secure place on Coal Authority ground investigation framework
- Graeme Campbell joined as our new CFO

MARCH

- Emergency works on rail network undertaken for Osborne at Laverstock
- Completion of first modified Smartfoot foundation system for modular supplier ILKE Homes in Bolton

APRIL

- Strata awarded two places on Highways England's national ground investigation framework
- First Vibro contract successfully delivered on the Sunderland Strategic Transport Corridor
- Largest ever single Smartfoot site installed for McCarthy & Stone at Bingley, Yorkshire

A RECOVERING MARKET FULL OF OPPORTUNITY

Our activities in the construction market are across a broad range of end markets but strategically targeted at the areas of residential and infrastructure where future growth is anticipated.

UK CONSTRUCTION MARKET OVERVIEW

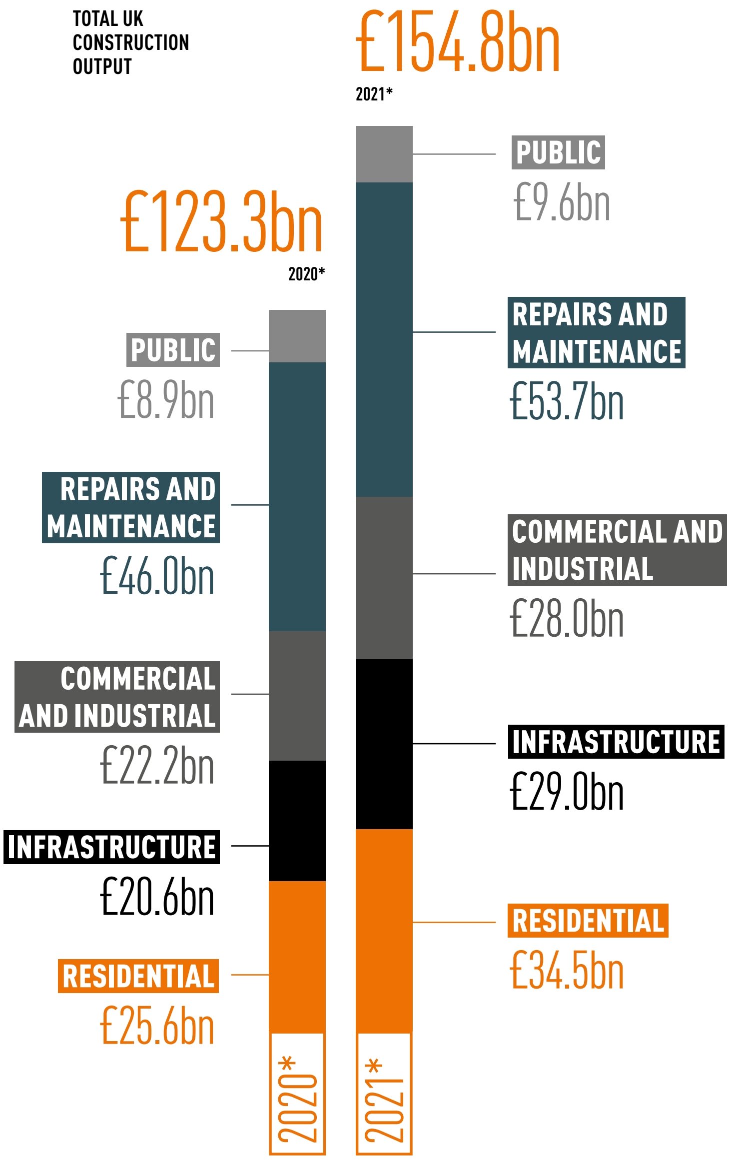
The key underlying construction markets for the Group are the residential, infrastructure and regional construction sectors.

The UK construction sector's underlying market growth in the calendar year 2019 was 2.6%.

The UK economy and construction industry find themselves in unprecedented circumstances due to the impacts of COVID-19. The near-term effects on activity and employment are likely to be significant.

As a result, construction activity is expected to fall by 25% in 2020, recovering in 2021 when construction activity is expected to rise by 26%*.

Future growth is expected in infrastructure, driven by large-scale projects including HS2 and CP6, which will partially offset falls in regional construction.



RESIDENTIAL

Prior to social distancing measures being implemented, buyer confidence had returned following Brexit progress and the General Election result causing a rise in private and public sector housing output. However, the residential sector was affected the most by COVID-19 as most housebuilders shut sites after announcement of the lockdown. A phased return to sites commenced in May, initially with a focus on work to complete reserved units. Recovery in this sector is expected to be gradual and will be dependent upon consumer sentiment.

Our response

Despite the significant impact of COVID-19 on the sector in the last six weeks of the financial year, residential continued to dominate revenues in 2019/20 with growth of 6.4% in the financial year.

Our focus in this sector is on expanding our Smartfoot® offering nationwide and into public sector construction, securing framework partner status with the top ten housebuilders and continual development of our vibro capability to become an industry leader.

UK MARKET 2019

+5.9%

VAN ELLE 2019/20

+6.4%

CPA'S GROWTH FORECASTS*

-39.9% 2020

2021 34.4%

INFRASTRUCTURE

Infrastructure output is expected to contract 9% in 2020, reflecting the impact of COVID-19-related measures on activity in the first half of the year. Output is then projected to pick up by 40% in 2021, driven by main construction works ramping up on large-scale projects such as HS2 and CP6 and significant funding for the Highways England Road Investment Strategy (RSI2) which runs from 2020/21 to 2024/25.

Our response

The new year sees increased CP6 activity, which has seen a delayed start in 2019/20, and a continuation of highways opportunities with the Group active on six smart motorways projects in the year and further strong prospects ahead in 2021 and beyond.

Our focus in this sector is to assume a market-leading role in CP6, achieve significant and sustainable revenues on HS2, secure strategic partner status on the Smart Motorways Alliance and repeat custom on RIS2 and develop key customer partnerships in the flooding and energy sectors.

UK MARKET 2019

+6.6%

VAN ELLE 2019/20

-13.4%

CPA'S GROWTH FORECASTS*

-8.9% 2020

2021 40.4%

REGIONAL CONSTRUCTION

The Group's regional construction market sector broadly aligns to the CPA's Commercial, Industrial and public market sectors. In regional construction the disruption related to COVID-19 is expected to result in significant declines of 34.2% in 2020. A gradual recovery is expected in H2 of 2020 although it is not expected to reverse the sharp decline seen in H1 as business confidence is expected to be subdued even once social distancing measures are relaxed. There remains a high degree of uncertainty regarding the future demand for office, retail and warehouses space as a result of COVID-19.

Our response

In regional construction the market remains highly competitive as Brexit uncertainty has impacted developer confidence and major competitors have been impacted by continued delays to the start of High Speed 2. However, the logistics sector continues to be buoyant with several large distribution projects completed in the year.

Our focus in this sector is to develop regional partnerships and repeat business with preferred customers, target growth in large warehouse structures and the logistics sector and strengthen our regional presence in the South East.

UK MARKET 2019

-0.5%

VAN ELLE 2019/20

-14.9%

CPA'S GROWTH FORECASTS*

-34.2% 2020

2021 26.8%

OUTLOOK

In spring 2020, the Construction Products Association ("CPA") published three scenarios of UK construction output rather than its usual annual forecast as a result of the unprecedented circumstances due to the impacts of COVID-19. The main scenario predicts that construction output will fall by 25% in 2020 before recovering in 2021, during which construction output is expected to increase by 26% from a low base. Growth is expected in infrastructure due to government commitments to large-scale projects and housing activity is expected to bounce back in 2021. Commercial and industrial output is not expected to return to pre-COVID-19 levels in 2021 due to the uncertainty on the requirement for space.

* Source: Construction Products Association – Construction Industry Scenarios 2020 – Spring 2020 Edition, main scenario.

FOCUSED ON PERFECT DELIVERY

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

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

Working across the construction spectrum, the majority of our projects are of short duration with an average value this year of £74,000 (2019: £86,000) and we completed more than 1,150 contracts during the year.

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

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

OUR VISION AND VALUES

Our vision is to be the leading, most trusted provider of

TOTAL FOUNDATION SOLUTIONS

which is delivered through three pillars:

TRUSTED PARTNERSHIPS

- Long-term customer focus
- End-to-end, integrated capabilities
- Best-value, innovative technical solutions
- Appropriate risk profile
- Collaborative approach and early involvement
- Conscious of our impact on communities and the environment

THE BEST PEOPLE AND ASSETS

- Engaged employees
- 5% trainees and apprentices
- Visible leadership
- Well-trained, directly employed workforce
- Optimised utilisation of well-maintained, extensive rig fleet
- Responsive logistical support

PERFECT DELIVERY

- Zero harm
- Right first time
- On time and on budget
- Continuously improving
- Satisfied customers

Our values are simple and clear. They reflect our commitment to operate as a straightforward, trusted partner that is easy to work with:

SAFETY

- Always put health and safety first

INTEGRITY

- Be open, honest and straightforward and deliver on our promises

TEAMWORK

- A "can-do" approach, working together to exceed customer expectations

EXCELLENCE

- Keen to impress our customers; always do a great job and learn from our mistakes

OUR DIFFERENTIATED OFFER

We aim to provide customers with a differentiated and highly professional service:

INTEGRATED CAPABILITY

We provide an end-to-end service, from initial ground investigation through to the largest types of foundation engineering

UK'S LARGEST RIG FLEET

We have 118 rigs in our fleet, with £52m capital investment in 2015–2020

DEDICATED TEAM

We deploy a directly employed workforce of more than 400 highly trained operatives

INNOVATIVE

We are constantly innovating and invest up to 10% of our expenditure into developing new techniques and applications

EXPERT

More than 20 geotechnical, ground improvement and piling techniques across the Group

MARKET LEADING

We are one of the UK market leaders in the deployment of modular foundations to the housing sector

STRATEGIC ACTIONS ARE STRENGTHENING THE BUSINESS

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

As part of this strategy we intend to focus on increasing market share, expanding our services and product offering and enhancing earnings and accelerating our growth through complementary acquisitions. Our three core markets provide resilience and sustainable growth opportunities. Residential and infrastructure are expected to support strong growth in revenues, complemented to a lesser degree by regional construction.

P22 Find our key performance indicators
P24 Find our risks

IMPROVING BUSINESS PERFORMANCE FY2019–2021

OUR STRATEGIC PRIORITIES

- Simplified structure, strengthened leadership, employee engagement and development
- Enhanced operational performance and asset utilisation
- Stronger commercial controls, clarity of compliance and governance
- Overhead efficiencies, cost reduction, debt reduction and COVID-19 mitigation

FOUNDATIONS FOR GROWTH FY2019–2021

OUR STRATEGIC PRIORITIES

- Develop market position in key sub-sectors – housing, highways, rail and industrial
- Raise brand awareness, key customer development and improved bidding
- Innovation focus, diversify specialist services and selective capex investment

MARKET LEADERSHIP MEDIUM TERM

OUR STRATEGIC PRIORITIES

- Trusted partnerships with key customers
- The best people and assets
- Operational excellence
- Medium-term financial outcomes

PROGRESS TO DATE

- Co-location completed, leadership team finalised and employee engagement improving
- Operational performance stable and rig utilisation will recover with growth
- Commercial team in place and updated governance around key bids
- Cost reduction actions, COVID-19 cash preservation and debt reduction

LINKS TO KPIs

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

Additional measures to assess future performance:

- Perfect delivery
- Engagement score
- Gross margin
- Rig utilisation
- Number of projects outside standard terms
- Leverage

LINKS TO RISKS

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

PROGRESS TO DATE

- Smartfoot national roll out, highways SMP, rail CP6 initiatives and warehouse track record
- Upgrade marketing materials and website, new Business Development team and key account strategy
- R&D expenditure circa 10% of cost base, including Vibro, rail GI and rigid inclusions development

LINKS TO KPIs

- Revenue
- Underlying operating profit
- Underlying return on capital employed

Additional measures to assess future performance:

- % pipeline with key accounts
- Research and development expenditure as a percentage of cost base
- Investment in property, plant and equipment as a percentage of cost base

LINKS TO RISKS

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

LINKS TO KPIs

Additional measures to assess future performance:

- % pipeline with key accounts
- Customer satisfaction score
- Engagement score
- Attrition
- Number of apprentices and trainees
- Rig downtime
- Rig utilisation
- Perfect delivery
- Revenue growth
- Operating margin
- Return on capital employed

LINKS TO RISKS

- A rapid downturn in our markets
- Failure to procure new contracts
- Ineffective management of our contracts
- Losing our market share
- Contract slippage
- Inability to finance our business
- Not having the right skills to deliver

MONITORING RETURNS TO MAXIMISE FINANCIAL PERFORMANCE

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

REVENUE (£m)

£84.4m

-4.6%

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

Performance
Revenue declined by 4.6% in the year to £84.4m. The decline was as a result of the significant reduction in the Group's revenues in the last weeks of the financial year with many customer sites closed due to the COVID-19 lockdown.

REPORTED OPERATING (LOSS)/PROFIT (£m)

£(1.6)m

-135.3%

Description
Reported operating profit is the basis for calculating other reported KPIs and is after all categories of non-underlying items.

Performance
Reported operating profit has fallen 135.3% in 2020 to a loss of £1.6m, an operating margin of -1.9%. The fall is due to the fall in revenues from £88.5m to £84.4m as well as the fall in gross margin rates as a result of adverse sales mix with higher margin activities including rail and regional construction subdued in the year. The Group also completed a number of one-off poor performing contracts during the year impacting gross margin rates.

UNDERLYING OPERATING (LOSS)/PROFIT (£m)

£(0.3)m

-104.9%

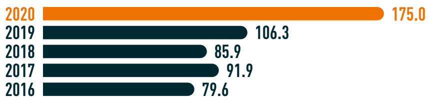
Description
Tracking our underlying profitability ensures that the focus remains on delivering profitable outcomes on our contracts. It is a measure of pure operating performance including depreciation and amortisation charges but excluding financing and tax.

Performance
Underlying operating profit is after non-underlying items, primarily restructuring costs, asset impairment research and development expenditure credits, and share based payments and is down 104.9% in the year; the underlying operating margin is -0.3%, down on last year's 5.9%. This was due to the impact on operating profit of the 4.6% drop in revenues year on year and the previously mentioned reduction in gross margin rates.

OPERATING CASH CONVERSION (%)

175.0%

+64.7%



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

Performance
The business continues to manage working capital well, ensuring operating profits convert into cash.

The downturn in trading because of the COVID-19 lockdown has resulted in a lower working capital at the end of the financial year. The shrink in working capital has resulted in a temporary cash inflow. This is reflected in the Group's operating cash conversion of 175.0%.

P33 Please refer to the financial review for financial data on key performance indicators

REPORTED EARNINGS PER SHARE (P)

(3.0)p

-175.8%

Description

This KPI measures our after-tax earnings relative to the weighted average number of shares in issue and provides a monitor on how we are increasing shareholder value.

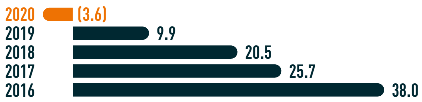
Performance

The underlying EPS of -1.5p and reported EPS of -3.0p are down 132.5% and 175.8% respectively, reflecting the lower underlying and reported operating profits delivered in the year.

REPORTED RETURN ON CAPITAL EMPLOYED (%)

(3.6)%

-136.6%



Description

This measure indicates the rate of return per pound invested in the operating assets of the business. Capital employed is taken to be net assets excluding net funds (including IFRS 16 lease liabilities) and earnings is taken as operating profit.

Performance

The ROCE of -3.6% reflects the impact of lower trading in the financial year on the operating profit and represents a lower return than considered desirable on funds invested over recent years. The ROCE is expected to return to previous levels following the recovery from COVID-19.

NET FUNDS/(DEBT) (£m)

£4.8m

* Net funds excluding IFRS 16 lease liabilities relating to property leases.

Description

Net funds reflects the Group's total cash and cash equivalents less any borrowings including HP liabilities but excluding IFRS 16 lease liabilities.

Performance

Net debt has decreased by £9.0m to a net funds position of £4.8m as at 30 April 2020. This improvement reflects the repayment of all outstanding loans in the year, a reduction in finance lease liabilities (£3.9m) and maximising the bank balance through robust working capital management and by the raising of cash through the share placing.

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

(0.6)%

-105.1%

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

(1.5)p

-132.5%

MITIGATION OF RISK HAS HELPED US NAVIGATE A CHALLENGING YEAR

Risk management framework

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

How we identify risk

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

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

How we responded to the pandemic

The COVID-19 pandemic had a significant, adverse impact on the Group with many customer sites, particularly in the housing and regional construction sectors, closing and with some suppliers also suspending operations. In response to the pandemic the Group undertook early and decisive actions to protect its cash flows, reduce costs and safeguard the health of its employees as detailed in the Chief Executive Officer's review on page 8.

Reviewing our risk register

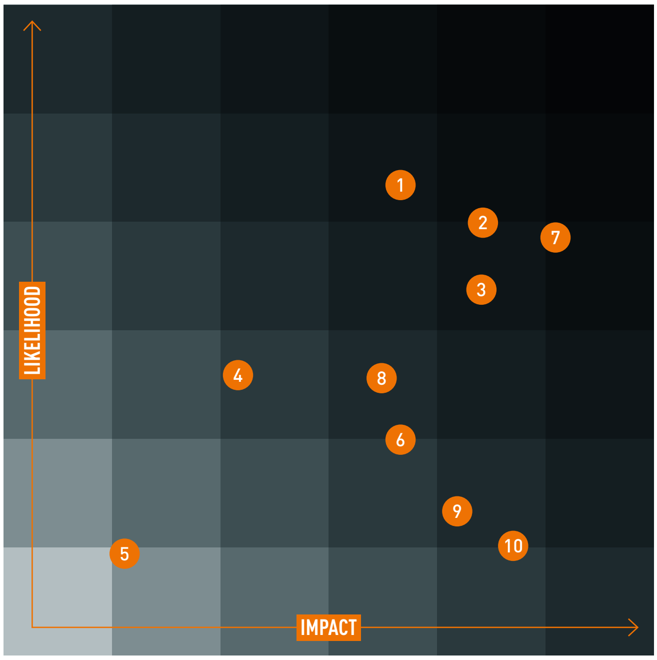
The risk registers of each division, together with the Group risk register, are updated and reported to the Audit Committee to ensure that adequate information in relation to risk management matters is available to the Board and to allow Board members the opportunity to challenge and review the risks identified and to consider in detail the various impacts of the risks and the mitigations in place.

Risks

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

RISK MANAGEMENT FRAMEWORK

RISK HEATMAP



P79 See the principal financial risks disclosed in note 24

PRINCIPAL RISKS

Risk description	Potential impact	Mitigation	Change	Link to strategy
MARKET RISK				
1 A RAPID DOWNTURN IN OUR MARKETS				
Inability to maintain a sustainable level of financial performance throughout the construction industry market cycle, which grows more than many other industries during periods of economic expansion and falls harder than many other industries when the economy contracts. Failure of a key client resulting in market volatility. COVID-19 could impact public spending in infrastructure, slowing and cancelling the award of new programmes of work. Brexit could impact public spending in infrastructure, slowing and cancelling the award of new programmes of work.	Failure to continue in operation or to meet our liabilities.	Diversification of our markets, both in terms of geography and market segment. Focus on longer-term partnerships and building on existing client relationships. Capital raise has provided headroom for the Group to withstand a downturn in markets.	▲ COVID-19 has significantly impacted our performance and resulted in a fall in turnover.	1 2
STRATEGIC RISKS				
2 CONTRACT SLIPPAGE				
After award of contract, the anticipated start date can be deferred by our client.	Contract slippage can lead to consequential inaccuracies in forecasting and reduction to rig utilisations.	Ensuring order book is healthy allowing contract scheduling to fill the gap where contract start dates are deferred. Factor in slippage potential when forecasting.	▲ COVID-19 has resulted in several large contracts being deferred.	1

Risk management and principal risks continued

Risk description	Potential impact	Mitigation	Change	Link to strategy
STRATEGIC RISKS CONTINUED				
3 FAILURE TO PROCURE NEW CONTRACTS				
Failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change or demand reduces due to general adverse economic conditions.	Failure to achieve targets for revenue, profit and earnings.	Continually analysing our existing and target markets to ensure we understand the opportunities that they offer. Strengthened bid review process throughout the Group with well-defined selectivity criteria, designed to ensure we take on contracts only where we understand and can manage the risks involved. Created new role of Pre-construction Director to oversee bidding, sales and marketing to refocus on revenue growth.	▲ As markets recover following the COVID-19 pandemic the number of new contracts procured by the Group will be affected.	1
4 LOSING OUR MARKET SHARE				
Inability to achieve sustainable growth, whether through acquisitions, new products, new geographies or industry-specific solutions.	Failure to achieve targets for revenue, profits and earnings.	Continually seeking to differentiate our offering through service quality, value for money and innovation. A business development team focusing on our customers' requirements and understanding our competitors. Minimising the risk of acquisitions, through due diligence and structured and carefully managed integration plans. Implementing annual efficiency and improvement programmes to help us remain competitive.	– Focused on refining strategic client relationships in all sectors.	1 2
5 NON-COMPLIANCE WITH OUR CODE OF BUSINESS CONDUCT				
Not maintaining high standards of ethics and compliance in conducting our business or failing to meet local or regulatory requirements.	Losing the trust of our customers, suppliers and other stakeholders with consequent adverse effects on our ability to deliver against our strategy and business objectives. Substantial damage to our brand and/or large financial penalties.	Having clear policies and procedures in respect of ethics, integrity, regulatory requirements and contract management. Maintaining training programmes to ensure our people fully understand these policies and requirements. Operating and encouraging the use of a whistleblowing facility.	–	1 2
OPERATIONAL RISKS				
6 PRODUCT AND/OR SOLUTION FAILURE				
Failure of our product and/or solution to achieve the required standard.	Financial loss and consequent damage to our brand reputation.	Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and engineering capabilities.	– Operational review to ensure robust in-house design and elimination of poor workmanship.	1 2

Risk description	Potential impact	Mitigation	Change	Link to strategy
OPERATIONAL RISKS CONTINUED				
7 INEFFECTIVE MANAGEMENT OF OUR CONTRACTS				
Failure to manage our contracts to ensure that they are delivered on time and to budget.	Failure to achieve the margins, profits and cash flows we expect from contracts.	We ensure we always undertake credit checks on potential customers. We have a diversified customer base with no single customer accounting for >10% of total turnover. Ensuring we understand all our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance. Ensuring we have high-quality people delivering projects. A new Perfect Delivery Concept has been introduced, setting criteria to achieve effective first-class solutions to our clients.	▲ Two poor performing contracts during the year impacting gross margin rates with causes identified and action taken to resolve the issues.	1 2
8 FAILURE TO COMPLY WITH HEALTH AND SAFETY AND ENVIRONMENTAL LEGISLATION				
Causing a fatality or serious injury to an employee or member of the public through a failure to maintain high standards of safety and quality.	Loss of employee, customer, supplier and partner confidence, and damage to our brand reputation in an area that we regard as a top priority.	A Board-led commitment to achieve zero accidents. Visible management commitment with safety tours, safety audits and safety action groups. Implementing management systems that conform to Occupational Health and Safety Assessment Systems (ISO 9001, ISO 14001 and ISO 45001). Extensive mandatory employee training programmes.	–	1 2
9 NOT HAVING THE RIGHT SKILLS TO DELIVER				
Inability to attract, retain and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.	Failure to maintain satisfactory performance in respect of our current contracts and failure to deliver our strategy and business targets for growth.	Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential. Pre-employment checks ensure we have the right people in the right roles.	– Construction market outlook and key investment projects have increased competition for high-calibre individuals.	1 2
FINANCIAL RISKS				
10 INABILITY TO FINANCE OUR BUSINESS				
Losing access to the financing facilities necessary to fund the business.	Failure to continue in business or to meet our liabilities.	Capital raise has provided headroom for the Group, to withstand a downturn in markets.	▼ Net debt has reduced and the Group is in a net funds position at the end of FY20. All outstanding loans have been repaid during FY20.	1 2

Section 172

How we engage with our stakeholders

The concerns of key stakeholder groups are factored into Board discussions and decision making. In performing their duty under Section 172(1) of the Companies Act 2006, the Board ensures that the impact on our stakeholders is carefully considered by management when formulating all proposals requiring Board approval.

Our approach to stakeholder engagement

Stakeholder	Key concerns	Engagement
Shareholders	▪ Group performance ▪ Strategic objectives ▪ Corporate governance ▪ Environmental, social and governance performance	▪ Regular meetings between major shareholders and Executive Directors ▪ Investor roadshows at the time of preliminary and interim results
Employees	▪ Health and safety ▪ Engagement and development ▪ Diversity ▪ Leadership	▪ Board receives monthly health and safety reports and performance details ▪ Annual performance appraisals for all staff include personal development review ▪ Group leadership team conducts periodic Group-wide briefings enabling sharing of key information ▪ Regular internal communications via Company newsletters
Customers	▪ Customer engagement ▪ Quality and service level ▪ Innovative contract delivery	▪ Regular site management visits by Company managers ▪ Regular meetings with key customers to develop long-term relationships ▪ Customer experience scores
Suppliers	▪ Strong supplier relationships ▪ Continuity of supply ▪ Financial strength and stability	▪ High focus on key strategic supplier partnerships ▪ Review of the Group's funding structure in the current financial year
Community	▪ Health and safety ▪ Contribution to the community ▪ Sustainability	▪ Robust apprenticeship scheme embedded in the organisation ▪ The Group selects a local charity to support annually based on employee nominations

Key decisions

Board and Committee activities are organised throughout the year to address the matters reserved for the Board. An overview of the Board's principal decisions during the year, including how the Board has taken into account the factors set out in Section 172 of the Companies Act 2006 ("the Act"), is set out below.

Decision	Actions taken	Key stakeholder groups considered
Dealing with the COVID-19 pandemic	▪ Regularly reviewed the challenges presented by the COVID-19 pandemic and government announcements on social distancing and safety. ▪ Detailed considerations as to how we could continue to operate safely on sites and in the offices, and travel and accommodation issues for our workers. ▪ Initiated capital raise to provide the Group with sufficient headroom to withstand a COVID-19 downside scenario and to protect its financial strength.	▪ The safety of our work force was our primary driver during this period, together with their and the Group's financial security. ▪ The Board recognised the conflict of managing the financial security of the Group and the impact of furloughing staff. ▪ Where staff were affected, the Board ensured clear communication took place. ▪ The Board continues to arrange for staff to return to work as soon as possible as operations recover. ▪ The Group recognised the importance of the sector working together to face the pandemic. The Group engaged with customers and supply chain to ensure actions were supportive of key stakeholders. ▪ The Board is conscious that the actions of the Group during the initial lockdown phases and longer-term recovery will inform employee engagement and key supplier relationships in the longer term.

Decision	Actions taken	Key stakeholder groups considered
Share placing in April 2020	▪ The Group placed 26,666,650 new ordinary shares on 9 April 2020 at a placing price of 25p per share, raising net cash proceeds of £6.3m to protect the Group's financial strength and to withstand a COVID-19 downside scenario.	▪ The Board considered the impact on shareholders of the share placing. ▪ The consideration included ensuring short-term cash headroom to respond to the challenge of COVID-19 and respond to working capital required to grow the business in light of the opportunities expected balanced against the ideal capital structure of the business in the medium term to ensure that the Group has a structure to deliver the best returns for shareholders.
Setting the annual Group budget and subsequent forecast modelling following the COVID-19 outbreak for going concern purposes	▪ Reviewed and approved Group budgets for FY2021 and high-level profit and cash forecasts for the next 12 months, all of which were updated for the impact of COVID-19. ▪ Approval of the going concern assumption.	▪ In reviewing the budget and subsequent forecasts, the Board considered the impact on all stakeholders. ▪ Setting the budget identified key areas of focus for the Group, providing development opportunities for employees. ▪ The budgeting process also provided reliable information to take decisions such as furloughing staff as noted above. ▪ In setting the budget the Board also gave consideration to customers and identified opportunities to develop customer relationships and improve service delivery and efficiency. ▪ In setting the budget consideration was given to suppliers around payments ensuring that there was clarity around when payments would be made to allow suppliers to effectively manage working capital.
Restructuring including the redundancy of certain team members	▪ Various roles were considered to be redundant in the streamlining of divisions from eight to five.	▪ The Board considered the impact on the workforce and in particular those directly impacted by the restructure. ▪ While the decision to restructure the Group is considered necessary to develop the returns to shareholders and improve the service provided to customers, the Board recognises the negative impact the process has on employees. The Board ensured that the redundancy process was done fairly and was transparent with experienced human resources expertise supporting the process. All employees impacted in the process were supported and treated with respect to ensure our standards and reputation for business conduct was maintained.

Directors' Section 172 statement

The Board of Directors consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1)(a-f) of the Act) in the decisions they have taken during the year ended 30 April 2020.

In making this statement the Directors considered the longer-term consideration of stakeholders and the environment and have taken into account the following:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

FAIRNESS, HONESTY AND INTEGRITY

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

Approach

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

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

It is our policy to ensure that the highest possible standards are achieved and maintained throughout the Company and that we strive for continual improvement. We therefore operate an integrated business management system in accordance with the requirements of ISO 9001, ISO 14001 and ISO 45001.

Safety

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

Our dedicated health, safety, quality and environment team undertakes regular internal audits of our procedures to ensure they are as comprehensive as possible, highlighting any areas for improvement. As a member of all the industry's key recognised certification and qualification schemes, our systems are under constant review by external bodies promoting best practice. We are Network Rail Plant Operations Scheme ("POS") providers and are active members of the Federation of Piling Specialists ("FPS") and the British Drilling Association ("BDA").

To us, health and safety is about striving for continual improvement in our performance. We aim to identify risks and review health and safety incidents at a senior level. Employee briefings are arranged to refocus the business and continually address and improve performance.

Our KPIs are detailed in the table below.

During the financial year our RIDDOR accident incident and frequency rate has declined. The number of hazard/near miss reports and minor injuries, however, has increased despite a reduction in reporting during the period of the COVID-19 lockdown. In response we have relaunched our behavioural safety training and supervisor development programmes.

Throughout the COVID-19 pandemic our focus has been on the wellbeing of our employees, their families and those involved with our activities. Since the lockdown began in March 2020 risk assessments to cover operational and support activities have been produced and communicated to employees. These continue to be reviewed and updated in accordance with guidance published by the Government and Construction Leadership Council to ensure that our work places are COVID secure. Despite temporarily closing our training centre during the period of the lockdown, employees have continued to undertake health and safety training via e-learning and video.

HS&E KPIs 2016–2020

Category	FY 2016	FY 2017	FY 2018	FY 2019	**FY 2020**
Hazard /near miss reports	918	791	884	1,008	**1,062**
Environmental incidents	1	0	2	1	**1**
Minor injuries	20	18	36	22	**24**
<7-day lost time injuries	6	10	3	5	**6**
>7-day lost time injuries (RIDDOR reportable)	4	1	2	2	**3**
Specified injury (RIDDOR reportable)	3	1	1	2	**0**
Dangerous occurrence	0	0	0	0	**0**
Fatal	0	0	0	0	**0**
RIDDOR accident incident rate ("AIR")/1,000 employees	13.7	3.4	5.7	7.7	**5.8**
RIDDOR accident frequency rate ("AFR")/100,000 hours	0.53	0.14	0.21	0.37	**0.23**

Van Elle is an accredited CITB training provider, delivering health and safety awareness, site supervisor safety training scheme and site management safety training scheme courses.

As an employer, we recognise the importance of mental health awareness. We have employees who deliver mental health awareness courses and have trained mental health first aid staff in the offices and on site. We have set an objective to achieve a trained mental health first aider to employee ratio in accordance with Mental Health First Aid England guidelines.

The Group also operates an Employee Assistance Programme, through which employees and their immediate families can access confidential support services 24 hours a day, 7 days a week.

People

Investing in our workforce

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

FY2020 has been a year of continued transition, with all employees now co-located at Kirkby-in-Ashfield and the continuation of some restructuring activities, which is reflected in retention statistics. A new HR team was installed in February 2020 to help accelerate improvement plans focused on succession and recognition programmes including re-launching the personal appraisal process and our first annual awards held in December 2019 as well as updated management development programmes and succession planning activities.

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

We only recruit the best of the best through our recruitment processes and have an internal "refer a friend" scheme, ensuring that those invited to join our Company understand our commitment to them and vice versa. Our pre-employment checks ensure that we have the right people with the right skills to undertake their roles and the Company values and commitments are simultaneously aligned to the business objectives.

All new recruits have an opportunity to meet with staff at all levels of the business at our Induction Meeting held quarterly. We cover a variety of topics including health and safety, compliance, the journey of the business: past, present and future, HR and other functions, policies and procedures.

We have a dedicated training team that ensures all our workforce hold valid industry certifications and to ensure we develop our staff to the highest of standards. This way we will ensure that we continue to maintain and control our high standard of training and provide flexibility in succession planning.

We also support the general industry commitment to have 5% of our workforce in apprenticeship, graduate and formalised training schemes within five years of joining (www.5percentclub.org.uk).

Communication

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

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

In the previous financial year, we centralised all divisions and support functions into one location to improve communication and teamwork across the business. With staff centralised alongside our training centre, transport and precast factory, we are realising the benefits of improved collaboration and efficiencies.

Diversity and equality

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

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

Van Elle is committed to building and developing a more diverse workforce. In general, females have been underrepresented in our sector, which has traditionally been, and continues to be, male dominated.

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

We proudly participate in the STEM Ambassador Programme, as we wish to encourage our employees to offer their time and enthusiasm to help bring STEM subjects to life and demonstrate the value of them in their lives and careers.

PEOPLE KPIS 2019–2020

Category	FY 2019	**FY 2020**
Average number of employees	530	**517**
Voluntary attrition rate	23%	**18%**
Number of apprentices and trainees	18	**35**
Employee engagement survey response	36%	**56%**
Employee engagement score	61%	**62%**
Training days delivered for Van Elle employees	691	**795**
Training days delivered to third party customers	60	**341**

Corporate social responsibility continued

Environment and sustainability

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

Our vision includes:

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

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

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

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

Greenhouse gas emissions reporting

The Group reports its GHG emissions in accordance with UK regulations and the GHG Protocol Corporate Accounting and Reporting Standard methodology. Our reporting boundary is all material scope 1 and scope 2 emission sources within the boundaries of our consolidated financial statements. There are no associates or joint ventures with our Group and therefore this represents the financial control approach.

In the year, our combined scope 1 and scope 2 GHG emissions have decreased by 11.5% and our energy usage decreased by 11.1%.

For the year ended 30 April 2020, the Group's GHG emissions and energy usage were as follows:

Supporting local communities and charities

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

Not only do we support businesses across the UK in developing their knowledge of modern and innovative ground engineering solutions through our CPD programme, but we regularly engage with universities, colleges and schools to build awareness, interest and enthusiasm around the construction, manufacturing and engineering industries.

Every year we support chosen charities with donations made by employees directly from salary deductions. Last year, our local charity partner was Bluebell Wood, which provides care for children and young adults facing serious issues, both in their own homes and at a local hospice. In 2020 we raised over £21,000. We are currently collating nominations for our 2021 partner charity and this will be put to a vote by all our employees.

GHG emissions from:	**Tonnes of CO_2e 2020**	Tonnes of CO_2e 2019
Scope 1 – combustion of gas and fuel for transport and rig operations	**4,751**	5,358
Scope 2 – purchase of electricity	**201**	238
Total CO_2e emissions	**4,953**	5,595

Intensity measurement:	**2020**	2019
Absolute tonnes equivalent CO_2e per £m of revenue	**59**	63

Energy usage from:	**2020**	2019
Scope 1	**18,607**	20,983
Scope 2	**864**	930
Total mWh	**19,470**	21,912

No external verification of the above data has been performed.

MAINTAINING A STRONG FINANCIAL POSITION IN A CHALLENGING YEAR

HIGHLIGHTS

- Revenue of £84.4m, down 4.6% year on year
- COVID-19 has heavily impacted the profitability of the Group with an underlying operating loss of -£0.3m, a return of -0.3%
- Cash conversion of 175.0% due in part to a temporary reduction in working capital as a result of COVID-19
- Strong balance sheet position with net funds before IFRS 16 lease liabilities of £4.8m, an increase of £9.0m year on year
- £6.3m of net proceeds raised through a share placing in April 2020
- Repayment of all outstanding loans in the year
- Year-end cash balance of £12.2m

Revenue

Revenue in the year to 30 April 2020 declined to £84.4m (2019: £88.5m). During the last six weeks of the financial year, the lockdown, as a result of the COVID-19 pandemic, had a significant, adverse impact on the Group with many customer sites, particularly in the housing and regional construction sectors closing down. The most significant impact was in April 2020, where revenue was approximately 20% of pre-COVID-19 expectations.

	2020 £'000	2019 £'000	Change %	**2020 %**	2019 %
H1	**48,524**	42,921	13.1	**57.5**	48.5
H2	**35,849**	45,547	(21.3)	**42.5**	51.5
Revenue	**84,373**	88,468	(4.6)	**100.0**	100.0

In the first half of the financial year, despite subdued conditions in the commercial and rail markets, strong growth in housing and highways markets resulted in a revenue increase of 13.1%. In contrast H2 revenues were significantly impacted by COVID-19 resulting in a year-on-year reduction in revenues of 21.3%.

The Group tracks enquiry levels by market sector, which helps to identify trends and target our activities into growth areas. The mix of revenue by end markets is shown below:

	2020 £'000	2019 £'000	Change %	**2020 %**	2019 %
Residential	**41,301**	38,807	6.4	**49.0**	43.8
Infrastructure	**23,974**	27,670	(13.4)	**28.4**	31.3
Regional construction	**18,728**	21,910	(14.5)	**22.2**	24.8
Other	**370**	81	356.8	**0.4**	0.1
Revenue	**84,373**	88,468	(4.6)	**100.0**	100.0

Residential continued to dominate revenues this year despite COVID-19 having a significant impact on this sector with many sites closed in the last few weeks of the financial year. The housing sector growth has been driven by improved customer focus and closer relationships with national housebuilders which are seeking faster build times and integrated piling and foundation solutions. The Group has seen increased competition in the regional construction sector and subdued activity levels in the infrastructure market (partially due to delays to Network Rail's CP6 programme) resulting in reduced revenues in these sectors.

The mix of revenue by our divisions is shown below:

	2020 £'000	2019 £'000	Change %	**2020 %**	2019 %
General Piling	**29,314**	37,201	(21.2)	**34.7**	42.1
Specialist Piling	**25,359**	28,630	(11.4)	**30.1**	32.3
Ground Engineering Services	**29,565**	22,637	30.6	**35.0**	25.6
Head office	**135**	—	100.0	**0.2**	—
Revenue	**84,373**	88,468	(4.6)	**100.0**	100.0

KEY FINANCIAL DATA

£84.4m
REVENUE £m

£12.2m
CLOSING CASH BALANCE

£45.2m
NET ASSETS

£4.8m
NET FUNDS*

175.0%
CASH CONVERSION

£6.3m
PROCEEDS FROM CAPITAL RAISE

* Net funds excluding IFRS 16 lease liabilities relating to property leases.

Revenue continued
Ground Engineering Services revenue has grown as a result of the housing sector growth. General Piling and Specialist Piling have been impacted by increased competition and reduced activity in the regional construction sector.

Head office revenues relate to the provision of training services delivered through the dedicated training facility located at Kirkby-in-Ashfield.

Gross profit
The gross margin of the Group decreased to 26.8% (2019: 31.9%) mainly due to an adverse sales mix, with higher margin activities including rail and regional construction subdued in the year. The Group also completed a number of one-off poor performing contracts during the year impacting overall gross margin rates.

Encouragingly, gross margin has not been significantly impacted by COVID-19 as the Group responded quickly, reducing costs in line with the downturn in activity.

Operating profit
The 4.6% reduction in revenues year on year and reduced gross margin delivered a lower contribution to overheads, translating into an operating loss for the year of £1.6m (2019: operating profit £4.6m) and an underlying operating loss for the year of £0.3m (2019: underlying operating profit £5.2m). Reported operating margin decreased to -1.9% (2019: 5.2%) and our underlying operating margin decreased to -0.3% (2019: 5.9%).

	2020 £'000	2019 £'000	Change %
Operating (loss)/profit	**(1,609)**	4,562	(135.7)
Operating margin	**(1.9)%**	5.2%	(7.1)
Underlying operating (loss)/profit	**(257)**	5,244	(104.9)
Underlying operating margin	**(0.3)%**	5.9%	(6.2)

Operating margins were impacted by impairment of property and goodwill, and restructuring costs partially offset by income from research and development tax credits relating to previous financial years, all of which have been classified within other non underlying items.

Alternative performance measures
In reporting financial information, the Group presents alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS. The Group believes that these APMs provide depth and understanding to the users of the financial statements to allow for further assessment of the underlying performance of the Group and comparability from one year to the next.

The Board believes that the underlying performance measures for operating profit, profit before tax and EPS, stated before the deduction of non-underlying items, give a clearer indication of the actual performance of the business.

During the year, total non-underlying items of £1.3m were incurred, principally in respect of:

- further restructuring costs including redundancy and CEO compensation costs as the Group made the final changes to the operating divisions, the streamlining of which began in 2018;
- impairment of the Pinxton site which the Group vacated during the year ended 30 April 2020 and which is now held as an investment property;
- impairment of the goodwill allocated to the General Piling division as a result of the reduction in trading performance in this division;
- income in respect of a research and development tax credit claim relating to previous financial years; and
- share-based payment costs.

Note 8 describes why the above items have been classified as non-underlying in the financial year ended 30 April 2020. Consistent with the prior year, share-based payment costs are deemed non-underlying.

Net finance costs
Net finance costs were £630,000 (2019: £527,000). The increase in finance costs reflects the adoption of IFRS 16 as of 1 May 2019. The interest on IFRS 16 property lease liabilities was £151,000 during the year ended 30 April 2020. The remaining reduction in finance costs reflects the reducing financial liabilities as hire purchase (HP) contracts reach their term. HP agreements are typically at fixed rates of interest and over a five-year term.

Taxation
The effective tax rate for the year was -9.6% (2019: 20.0%).

The Group had a taxable loss in the financial year ended 30 April 2020. No deferred tax asset has been recognised on these unused tax losses as they are not expected to be utilised in the next 12 months.

The tax charge of £216,000 relates to deferred tax on timing differences only.

Dividends

A final dividend of 1.0p per share was paid to shareholders on 27 September 2019 in respect of the financial year ended 30 April 2019.

In light of COVID-19 and in order to manage cash resources during a period of uncertainty the Board resolved to cancel the interim dividend of 0.2p per share, which was due to be paid to shareholders on 27 March 2020. No final dividend is proposed in respect of the financial year ended 30 April 2020.

The Board recognises the importance of dividends to shareholders and the creation of shareholder value and expects to reinstate an appropriate and meaningful dividend once the period of disruption has passed.

Earnings per share

The underlying basic earnings per share was -1.5p (2019: 4.7p), based on an underlying loss of -£1,245,000 (2019: underlying earnings £3,788,000).

Balance sheet

	2020 £'000	2019 £'000
Fixed assets (including intangible assets)	**40,912**	40,775
Net working capital	**5,293**	7,052
Net funds/(debt)	**852**	(4,232)
Taxation and provisions	**(1,813)**	(1,534)
Net assets	**45,244**	42,061

On 9 April 2020 26,666,650 new ordinary shares were placed at a price of 25p each raising net proceeds of £6.3m. The proceeds from this placing provide the Group with sufficient headroom to withstand the downturn in trading due to COVID-19 and, in conjunction with additional debt finance, ensure the Company is well placed and sufficiently capitalised to respond quickly as its market recovers.

Despite reporting a loss in the financial year ended 30 April 2020 the Group's net assets increased by £3.1m to £45.2m (2019: £42.1m), which includes the impact of the capital raise in April 2020. This has allowed the Group to exit the year with a strengthened balance sheet and improved liquidity position.

The Group invested £3.7m (2019: £3.6m) in assets during the year including £1.5m on vibro rigs as part of the strategic plan for growth in the vibro stone column market. The Group also added a further rig to its Housing division to support the housing sector growth and capitalised £0.4m of development costs primarily relating to new techniques in the Housing and Rail division.

The adoption of IFRS 16 as of 1 May 2019 resulted in two of the Group's property leases being brought on the balance sheet with the creation of right-of-use assets totalling £3.7m and corresponding lease liabilities of £4.0m.

Working capital decreased to £5.3m (2019: £7.1m) primarily due to the lower activity levels during April 2020 as a result COVID-19.

As part of the consolidation of the Group's operations into a single site at Kirkby-in Ashfield, the Dereham site was vacated during the year.

ROCE has decreased in the period to -3.6% at 30 April 2020 (2019: 9.9%), reflecting the impact of the reduced operating profit.

Net funds

	2020 £'000	2019 £'000
Bank loans	**—**	(975)
Other loans	**—**	(15)
Lease liabilities	**(11,336)**	(11,239)
Total borrowings	**(11,336)**	(12,229)
Cash and cash equivalents	**12,188**	7,997
Net funds/(debt)	**852**	(4,232)
Net funds/(debt) excluding IFRS 16 lease liabilities relating to property leases	**4,811**	(4,232)

Net debt has decreased by £5.1m to a net funds position of £0.9m as at 30 April 2020. The net funds position in 2020 includes IFRS 16 lease liabilities of £4.0m in respect of property leases which were not recognised in 2019 as IFRS 16 had not been adopted. Excluding these liabilities the Group's net funds position has improved by £9.0m.

This improvement reflects the repayment of all outstanding loans in the year, a reduction in finance lease liabilities (£3.9m) and maximising the bank balance through robust working capital management and by the raising of cash through the share placing.

The Group has continued to explore a financing solution with a view to establishing a funding facility to provide additional liquidity headroom and support future growth.

Cash flow

	2020 £'000	2019 £'000
Operating cash flows before working capital	**4,627**	8,995
Working capital movements	**3,486**	468
Cash generated from operations	**8,113**	9,463
Net interest paid	**—**	(527)
Income tax paid	**(679)**	(1,336)
Net cash generated from operating activities	**7,434**	7,570
Capital expenditure	**(2,324)**	(2,007)
Financing activities	**(919)**	(8,446)
Net increase/(decrease) in cash and cash equivalents	**4,191**	(2,883)

The Group continues to prioritise cash generation and the active management of working capital. The downturn in trading as a result of COVID-19 has caused a temporary reduction in working capital requirements resulting in a cash conversion of 175.0% (2019: 106.3%).

Graeme Campbell
Chief Financial Officer
19 August 2020

THE TEAM COMMITTED TOWARDS BUILDING FUTURE SUCCESS

Adrian Barden

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

Adrian will step down from the Board following the announcement of the results for the year ended 30 April 2020.

Mark Cutler

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

Graeme Campbell

Chief Financial Officer
Mr Campbell was appointed Chief Financial Officer in February 2020. Mr Campbell qualified as a chartered accountant in 2000 and was previously the Group Financial Controller of Severfield plc, the UK's market-leading structural steel company and one of the largest structural steel businesses in Europe. Mr Campbell has spent his career in senior finance functions across a range of industrial businesses, including latterly as Group Chief Financial Officer and Company Secretary for ASX-listed international engineering services business Engenco.

Robin Williams

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

Robin will step down from the Board following the announcement of the results for the year ended 30 April 2020.

David Hurcomb

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

Charles St John

Non-Executive Director
Mr St John is a Chartered Accountant and has held many board level positions spanning over 20 years. This experience covers a range of industries, including within the UK building products and services sectors. Until 2012, Mr St John was a Senior Partner at the private equity firm Cognetas and its predecessor firms, with significant involvement in the growth and development of its investee companies. Mr St John is currently Non-Executive Director of Anesco Holdings Limited, Capstone Foster Care Limited, NHS Blood and Transplant and Whiteline Group Ltd.

Frank Nelson

Non-Executive Chair Designate
Mr Nelson has over 25 years' experience in the housebuilding, infrastructure and energy sectors. Mr Nelson is a qualified accountant and is currently the Senior Independent Director for three quoted companies, McCarthy & Stone plc, HICL Infrastructure PLC and Eurocell plc, and the Chair of private equity-backed contractor and developer DSM SFG Group Holdings Limited. He was previously a Non-Executive Director at Telford Homes Plc and formerly the Chief Financial Officer of Galliford Try plc.

KEY TO COMMITTEE MEMBERSHIP
- A AUDIT COMMITTEE
- N NOMINATION COMMITTEE
- R REMUNERATION COMMITTEE
- COMMITTEE CHAIRMAN

EFFECTIVE GOVERNANCE IS A KEY PRIORITY

All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all of Van Elle's stakeholders.

The Company has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") on the basis that it is the corporate governance code most suited to the size, risks, complexity and operations of the business.

The Board is ultimately responsible for the Company's strategic aims and long-term prosperity; it seeks to achieve this by ensuring that the right financial resources and human talent are in place to deliver the Company's strategy and objectives. Our culture is fundamental to the successful delivery of our strategic objectives. The Board assesses and monitors the culture by specific reference to employees, their engagement and matters of culture during Board meetings as well as regular discussion on the Group's vision and values.

Board composition and operation

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors, of which at least two should be independent.

The Board currently comprises two Executive and five Non-Executive Directors, of whom one is the Chair. During the period under review, Adrian Barden (Chair) notified his intention to resign as a Director at the sooner of the conclusion of the next annual general meeting or the appointment of his successor. Frank Nelson joined the Group as a Non-Executive Director on 1 July 2020 and will assume the role of Chair in August 2020. Robin Williams also announced his intention to resign as a Director following the publication of the Group's annual report for the year ended 30 April 2020. In February 2020 Charles St John and Graeme Campbell were appointed to the Board, Charles as an independent Non-Executive Director and Graeme as Chief Financial Officer, replacing Paul Pearson who resigned from the Board in October 2019.

The Non-Executive Directors are considered independent of the Company and, other than their fees and shareholdings as set out on pages 48 and 49, have no other financial or contractual interest in the Company.

There is a clear division of responsibilities between the Chair and the Chief Executive Officer. The role of the Chair is to manage the Board in the best interests of its stakeholders, to ensure that shareholders' views are communicated to the Board and to be responsible for ensuring the Board's integrity and effectiveness.

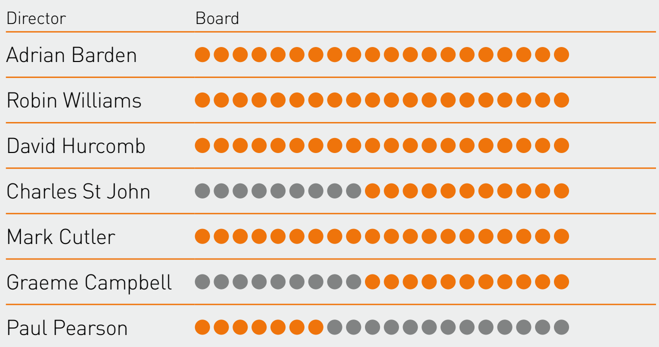
The role of the Chief Executive Officer is to manage the Group's operations on a day-to-day basis, to ensure that Board decisions are implemented effectively and to develop and propose the Group's strategy to the Board. The Group's business model and strategy are described in detail in the strategic report. The strategy of streamlining the business to improve operational performance was closely monitored by the Board through reporting at Board meetings and wider engagement with executive management. During the year the Board oversaw changes in senior leadership team members and a new human resources team was introduced to focus on staff engagement as part of the development of the business.

BOARD COMPOSITION

KEY

CHAIR	1
NON-EXECUTIVE	3
EXECUTIVE	2

MEETING ATTENDANCE (1 MAY 2019 TO 30 APRIL 2020)



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

Corporate governance statement continued

Board composition and operation continued

The Board is satisfied that it has a balanced composition, with relevant sector and public market skills and expertise, details of which can be seen in the biographies on page 36. Directors maintain their expertise through attending relevant training and networking events and through ongoing experiences in other organisations.

The Board controls the Group by delegating day-to-day responsibility to the Executive Management and Operational Directors. There are a number of matters which are reserved for decision only by the Board of Directors. These matters fall under the general headings of: strategy and management; capital structure; internal controls; significant contracts; shareholder communications; Board membership; executive remuneration; delegations of authority; corporate governance matters; and Group policies.

The Board met 20 times during the year. The COVID-19 global pandemic resulted in a requirement for frequent Board meetings in March and April 2020. Board meetings are conducted to a set agenda with a pack of comprehensive briefing papers circulated to all Directors prior to each scheduled meeting.

Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

The Board conducted an appraisal of its own performance during the previous financial year which consisted of individual assessments of the effectiveness of the Board, utilising a prescribed questionnaire, completed by all Board members. The Board members are of the opinion that the Board and its Committees operate effectively. The Board intends to conduct these appraisals on a regular basis.

Board Committees

The Board has delegated specific responsibilities to the Audit, Remuneration and Nomination Committees. All Board Committees have their own terms of reference, which are published on the Company's website.

Audit Committee

The Audit Committee comprises all Non-Executive Directors and is chaired by Robin Williams. Charles St John will assume the role of Chair when Robin steps down from the Board on 31 August 2020. The Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported, and reviewing reports from the Group's auditor.

The Audit Committee met on four occasions during the year. Further details on the work and responsibilities of the Audit Committee are shown on pages 40 to 42.

Nomination Committee

The Nomination Committee comprises all Non-Executive Directors and is chaired by Adrian Barden. The purpose of the Committee is to establish a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

The Nomination Committee met on two occasions during the year. Further details on the work and responsibilities of the Nomination Committee are shown on page 43.

Remuneration Committee

The Remuneration Committee comprises all Non-Executive Directors and is chaired by David Hurcomb. The Committee is responsible for determining the contractual terms, remuneration and other benefits of the Executive Directors.

The Remuneration Committee met on five occasions during the year. The Remuneration Committee report is set out on page 44.

Directors

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

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

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

Risk management and internal control

The risk management framework is presented on pages 24 and 25 which sets out how the Board identifies, assesses and the mitigating action to manage risk.

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

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

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

Going concern basis

In determining whether the Group and Company annual consolidated financial statements can be prepared on the going concern basis, the Board considered all factors likely to affect its future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

The following factors were considered as relevant:

- the Group's net funds position;
- the potential impact of COVID-19 on the Group's profits and cash flows; and
- the Group's order book and the pipeline of potential future orders.

To support the review of going concern, detailed forecasts have been prepared for the foreseeable future, being at least one year from the date of approval of the financial statements. These forecasts reflect a prudent view of performance given that the market conditions following COVID-19 are unknown.

Reverse stress testing and sensitivity analysis have been carried out including the modelling of a second wave of COVID-19 in half two of the financial year.

Based on this review the Directors conclude that the Group and Company are able to operate within the level of their current financial resources for a period of at least 12 months from the date of approving the financial statements. The full statement in respect of going concern is included in note 2 to the consolidated financial statements.

Forward-looking statements

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

Shareholder relationships

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

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

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

Approval

The Board approved the corporate governance report on 19 August 2020.

By order of the Board

Graeme Campbell
Company Secretary
19 August 2020

Audit Committee report

Robin Williams
Chair of the Audit Committee

MEMBERS AND ATTENDANCE

Director	Attendance
Robin Williams (Chair)*	🟠🟠🟠🟠
Adrian Barden*	🟠🟠🟠🟠
David Hurcomb*	🟠🟠🟠🟠
Charles St John*	⚪⚪⚪⚪
Mark Cutler**	🟠🟠🟠🟠
Graeme Campbell**	⚪⚪⚪⚪
Paul Pearson**	🟠🟠🟠⚪

* Committee member.
** Attended by invitation.

KEY
- 🟠 ATTENDED MEETING
- ⚫ ABSENT FROM MEETING
- ⚪ NOT DUE TO ATTEND

Activities during the year

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

Financial statements and reports:

- reviewed the preliminary results announcements, annual report and accounts, interim results announcement and trading update and received reports from the external auditor;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts;
- reviewed the adoption of IFRS 16 Leases in the current financial year, including the transition and year-end disclosures in the annual report;
- reviewed management representation letters, going concern reviews and significant areas of accounting estimates and judgements (including exceptional items, the carrying value of intangible and tangible assets and provisions for impairment of trade receivables and contract assets); and
- reported to the Board on the appropriateness of accounting policies and practices.

Risk management:

- reviewed the risk register, which identifies the Group's key risk areas, the probability of these risks occurring and the impact they would have on the Group. Mitigating actions and internal controls are assigned to each risk, with an internal assessment of the residual risk to which the Group is exposed.

External audit and non-audit work:

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

Compliance:

- met with the external auditor without Executive Management being present.

Dear Shareholder,

I am pleased to present the report on the activities of the Audit Committee (the "Committee") for the year. In this report I set out the Committee's role and responsibilities and explain the activities undertaken during the current financial year.

Roles and responsibilities

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

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

In relation to the external audit, the Committee is responsible for:

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

Membership and attendance

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

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

External audit

The Committee also approves the appointment and remuneration of the Group's external auditor and satisfies itself that it maintains its independence regardless of any non-audit work performed by it. The Group adopts the following policy governing the performance of non-audit work by the auditor. The auditor is permitted to provide non-audit services which are not, and are not perceived to be, in conflict with auditor independence, providing it has the skill, competence and integrity to carry out the work and it is the most appropriate adviser to undertake such work in the best interests of the Group. All assignments are monitored by the Committee. Details of services provided by, and fees payable to, the auditor are shown in note 9 of the consolidated financial statements.

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

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

Internal audit

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

Internal controls and risk management

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

The Group has a robust risk management process that follows a sequence of risk identification and assessment of probability and impact, and assigns an owner to manage mitigation activities. Throughout the year, the Group risk register and the methodology applied was the subject of review by senior management and updated to reflect new and developing areas which might impact business strategy. The Committee reviews the Group risk register each year to assess the actions being taken by senior management to monitor and mitigate the risks. The Group's principal risks and uncertainties are described on pages 24 to 27.

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

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

Significant accounting matters

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements.

Audit Committee report continued

Significant accounting matters continued

The Committee also reviews reports by the external auditor on the interim and full year results which highlight any issues arising from the work undertaken. Areas of audit and accounting risk reviewed by the Committee included:

- Revenue recognition – The Group's policy on revenue recognition, detailed in note 2 to the consolidated financial statements, is in accordance with IFRS 15. The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusions.
- The carrying value of trade receivables and contract assets – The Group holds material trade receivable balances and contract asset balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. The Committee has reviewed the current year provisions (including the application of IFRS 9) against trade receivables and contract asset balances and is satisfied with management's conclusions that the provisioning levels are appropriate.
- The carrying value of intangible items – The carrying value of goodwill has been tested for impairment. This testing includes sensitivities of future forecast performance, discount rates used and other key assumptions. The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusion that a partial impairment of goodwill should be recognised in the financial statements.
- Specific consideration has been given to the above items in relation to the current market uncertainties which exist as a result of COVID-19.

Going concern

In determining whether the Group and Company annual consolidated financial statements can be prepared on the going concern basis, the Audit Committee considered all factors likely to affect its future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

The following factors were considered as relevant:

- the Group's net funds position;
- the potential impact of COVID-19 on the Group's profits and cash flows; and
- the Group's order book and the pipeline of potential future orders.

To support the review of going concern, detailed forecasts have been prepared for the foreseeable future, being at least one year from the date of approval of the financial statements. These forecasts reflect a prudent view of performance given that the market conditions following COVID-19 are unknown.

Reverse stress testing and sensitivity analysis have been carried out including the modelling of a second wave of COVID-19 in half two of the financial year.

Based on this review the Directors conclude that the Group and Company are able to operate within the level of their current financial resources for a period of at least 12 months from the date of approving the financial statements. The full statement in respect of going concern is included in note 2 to the consolidated financial statements.

The Audit Committee report has been approved by the Board and signed on its behalf by:

Robin Williams
Chair of the Audit Committee
19 August 2020

Nomination Committee report

Adrian Barden
Chair of the Nomination Committee

MEMBERS AND ATTENDANCE

Director	Attendance
Adrian Barden (Chair)*	●●
Robin Williams*	●●
David Hurcomb*	●●
Charles St John*	●●

* Committee member.

KEY
● ATTENDED MEETING
● NOT DUE TO ATTEND

Activities during the year

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

- evaluated the balance of skills, experience, independence, diversity and knowledge on the Board;
- completed a process to appoint Graeme Campbell as CFO;
- completed a process to appoint Charles St John as Non-Executive Director;
- commenced a process to appoint a Chair of the Company, which was concluded after the reporting period with the appointment of Frank Nelson as Non-Executive Director;
- reviewed succession planning for the Executive Directors and the senior management team;
- reviewed and approved the recommendations to be made to shareholders for the election of Directors at the Annual General Meeting; and
- reviewed the Committee's report in the annual report and accounts and recommended approval to the Board.

Dear Shareholder,

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

Roles and responsibilities

The key responsibilities of the Committee are:

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

Membership and attendance

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

The Committee met twice during the year.

Election of Directors

On the recommendation of the Committee and in line with the Company's Articles of Association, all Directors will stand for re-election at the Annual General Meeting. The biographical details of the Directors can be found on page 36. The Committee considers that the performance of each of the Directors standing for election at the Annual General Meeting continues to be effective and each demonstrates commitment to their role.

Board changes

On 25 February 2020, the Group appointed both Charles St John as Non-Executive Director and Graeme Campbell as Chief Financial Officer.

On 6 February 2020, I notified the Board of my intention to resign as a Director at the sooner of the conclusion of the next annual general meeting or the appointment of my successor. The Group commenced a comprehensive search for a new Chair of the Board and Frank Nelson was appointed as a Non-Executive Director on 1 July 2020 and will assume the role of Chair in August 2020.

Robin Williams also announced his intention to resign as a Director following the publication of the Group's annual report for the year ended 30 April 2020.

Adrian Barden
Chair of the Nomination Committee
19 August 2020

Remuneration Committee report

David Hurcomb
Chair of the Remuneration Committee

MEMBERS AND ATTENDANCE

Director	Attendance
David Hurcomb (Chair)*	Attended meeting, Attended meeting, Attended meeting
Adrian Barden*	Attended meeting, Attended meeting, Attended meeting
Robin Williams*	Attended meeting, Attended meeting, Attended meeting
Charles St John*	Not due to attend, Not due to attend, Not due to attend
Mark Cutler**	Attended meeting, Attended meeting, Not due to attend
Graeme Campbell**	Not due to attend, Not due to attend, Not due to attend
Paul Pearson**	Not due to attend, Not due to attend, Not due to attend

* Committee member.
** Attended by invitation.

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

Activities during the year

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

- reviewed and approved the remuneration policy for 2019/20;
- reviewed and approved the parameters of the Annual Bonus Plan, including performance measures and targets for 2019/20 for the Executive Directors and senior management team;
- considered and approved LTIP awards to the Executive Directors and senior management;
- considered and approved CSOP awards to certain employees;
- considered and approved the settlement of the contracted payment to the CEO in compensation for lost share schemes and bonus incentives from his previous employer; and
- reviewed and approved Executive Director and senior management team salaries for 2019/20.

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee report for the current financial year.

Roles and responsibilities

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

The Committee's main responsibilities are:

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

Membership and attendance

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

The Committee met three times during the year.

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

Performance and outcomes 2019/20

As detailed in this report, the current financial year has been challenging and the Group was impacted significantly by COVID-19 in the last two months of the reporting period. The performance achieved against financial and operational targets resulted in no annual bonus being paid to the Executive Directors.

No LTIP awards vested during the year. CSOP awards originally issued on IPO in 2016 vested during the financial year for those participants who remained in employment on 26 October 2019.

Remuneration decisions for 2020/21

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

Following the review, it was determined that the annual bonus maximum levels and the performance measures continue to be appropriate. The Committee will continue its policy of setting stretching annual bonus targets which take into account several internal and external factors and disclose performance against targets and associated payouts unless the Committee considers them to be commercially sensitive. Long-term incentives plans will be reviewed once the period of disruption caused by COVID-19 has passed.

Remuneration report

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

David Hurcomb
Chair of the Remuneration Committee
19 August 2020

Directors' remuneration policy

Introduction

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

Principles adopted

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

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

Balancing short and long-term remuneration

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

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

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

Performance measures and targets

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

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

Differences in remuneration policy for all employees

All employees of the Company are entitled to base salary, benefits and a pension. An employee bonus scheme is reviewed annually. The maximum opportunity available is based on the seniority and responsibility of the role.

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

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

Statement of consideration of employment conditions elsewhere in the Group

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

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

Directors' remuneration policy continued

Future policy table

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

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
BASE SALARY			
To recognise status and responsibility to deliver strategy.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are reviewed annually and any changes are effective from 1 June in the financial year.	Increases only for inflation and in line with other employees unless there is a change in role or responsibility or alignment required to market levels.	None.
BENEFITS			
To provide benefits consistent with the role.	The Company pays the cost of providing the benefits monthly or as required for one-off events such as receiving financial advice.	Cost of independent financial advice, car allowance and medical insurance and other benefits from time to time.	None.
ANNUAL BONUS			
To ensure a market-competitive package and link total cash reward to achievement of Company business objectives.	Annual bonuses are paid three months after the end of the financial year end to which they relate. A clawback facility will apply under which part or all of the cash and deferred bonus can be recovered if there is a restatement of the financial accounts or the individual is terminated for misconduct.	Maximum bonus potential: 100% of salary for the CEO and 80% for the CFO. Maximum bonus potential for Executive Directors is between 30% and 50%. There is no minimum payment at threshold performance.	Reported operating profit. Performance is measured over the financial year. The Committee has discretion to vary the weighting of these metrics over the life of this remuneration policy.
PENSION			
To provide funding for retirement.	Defined contribution scheme. Monthly contributions.	3–10% of salary.	None.
LONG TERM INCENTIVE PLAN ("LTIP")			
To augment shareholder alignment by providing Executive Directors with longer-term interests in shares.	Annual grants of conditional share awards based on the achievement of profit targets. A clawback facility is in operation under which parts or the whole of the LTIP award can be recovered if there is a restatement of the financial statements or the individual is dismissed for cause.	Maximum grant permitted is 100% of salary. Grant size is determined by reference to achievement of profit targets (50% based on TSR and 50% based on EPS). Vesting is dependent on service and performance conditions. 25% vests at threshold performance.	Service and performance conditions must be met over a three-year period. 25% vesting if TSR is ranked at median within comparator group. 100% vesting if TSR is ranked in upper quartile. 25% vesting if EPS exceeds RPI CAGR plus 8%. 100% vesting if EPS exceeds RPI CAGR plus 15%. The Committee has discretion to vary the weighting of performance metrics over the life of this remuneration policy.

Approach to recruitment remuneration

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

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

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

Policy on Directors leaving the Group

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

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

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

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

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

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

Service agreements and letters of appointment

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

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

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

Director	Date of service contract/ letter of appointment
Executive Directors	
Mark Cutler	13 August 2018
Graeme Campbell	23 September 2019
Non-Executive Directors	
Adrian Barden	25 July 2016
Robin Williams	15 July 2016
David Hurcomb	1 November 2017
Charles St John	24 February 2020
Frank Nelson	20 May 2020

Non-Executive Directors' fees policy

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

Consideration of shareholder views

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

Annual report on remuneration

Single total figure of remuneration

The table below sets out the total remuneration for the Directors in the year ended 30 April 2020 with comparative figures for the year ended 30 April 2019.

	Salary/fees £'000	Benefits £'000	LTIP £'000	Pension £'000	Other* £'000	**2020 Total £'000**	2019 Total £'000
Executive Directors							
John Fenton (resigned 18 May 2018)	—	—	—	—	—	**—**	28
Mark Cutler	280	14	—	28	143	**465**	233
Paul Pearson (resigned 31 October 2019)	77	6	—	4	—	**87**	170
Graeme Campbell (appointed 25 February 2020)	31	2	—	—	—	**33**	—
Non-Executive Directors							
Adrian Barden	85	—	—	—	—	**85**	85
Robin Williams	50	—	—	—	—	**50**	50
Charles St John (appointed 25 February 2020)	8	—	—	—	—	**8**	—
David Hurcomb	45	—	—	—	—	**45**	45
Aggregate emoluments	576	22	—	32	143	**773**	611

Remuneration for Mark Cutler in 2019 of £233,000 reflected a part year.

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

The LTIP relates to the value of long-term awards whose performance period ends in the year under review. The first long-term incentive awards granted post-listing had a performance period that ended on 26 October 2019. These share awards lapsed on 26 October 2019 as the performance conditions were not met. As a result, this column has a zero figure.

Annual Bonus Plan

Bonuses are earned by reference to the financial year and paid in June following the end of the financial year. There is no bonus accruing to the Executive Directors in respect of the year ended 30 April 2020.

Aggregate Directors' emoluments

	2020 £'000	2019 £'000
Salaries	**576**	562
Taxable benefits	**22**	23
Other*	**143**	—
Pension allowances	**32**	26
Subtotal	**773**	611
Employer's NI	**96**	75
Total	**869**	686

* Other relates to a compensation payment for LTIPs foregone on joining the business.

Payments for loss of office

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

Payments to past Directors

There were no payments to past Directors in the year.

Share awards granted during the year

Conditional share awards were granted on 26 October 2016, the date that the Company was admitted to AIM, to all Executive Directors and other senior executives. These share awards lapsed on 26 October 2019 as the performance conditions were not met.

During the year, Mark Cutler was granted a conditional share award on 16 August 2019, details of which are shown below:

Director	Scheme	Basis of award	Face value £'000	% vesting at threshold	Number of shares	Vesting date
Mark Cutler	LTIP	100% of salary	285	25	703,703	16/08/22

The face value of the awards is calculated using the share price at the date of grant, 16 August 2019, at £0.41 per share.

The performance conditions in respect of the awards granted in the year ended 30 April 2020 are shown below:

Performance measure	Weighting	Target 25% vesting	Maximum 100% vesting
Total shareholder return ranking*	50%	Median, ranked 8th or higher	Upper quartile, ranked 4th or higher
Compound annual growth in earnings per share	50%	25% over RPI	45% over RPI

* Measured against a comparator group of 13 companies (i.e. 14 including Van Elle Holdings plc).

Mark Cutler was granted a conditional share award during the year ended 30 April 2019 on 13 August 2018, details of which are shown below:

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

The face value of the awards is calculated using the share price at the date of grant, 13 August 2018, at £0.86 per share.

The performance conditions in respect of the awards granted in the year ended 30 April 2019 are shown below:

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

* Measured against a comparator group of 13 companies (i.e. 14 including Van Elle Holdings plc).

Statement of Directors' shareholding and share interests

We believe that Executive Directors should have shareholdings in the Company to ensure that they are as closely aligned as possible with shareholder interests. Those Directors serving at the end of the year and their immediate families had interests in the share capital of the Company at 30 April 2020 as follows:

	Ordinary shares held at 30 April 2020 Number	Options held at 30 April 2020 Number
Executive Directors		
Mark Cutler	**252,767**	**1,035,098**
Graeme Campbell	**50,000**	**—**
Non-Executive Directors		
Adrian Barden	**147,920**	**—**
Robin Williams	**10,000**	**—**
Charles St John	**100,000**	**—**
David Hurcomb	**65,000**	**—**

Statement of implementation of remuneration policy – year to 30 April 2020

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

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

The fees for the financial year for the Non-Executive Directors, Adrian Barden, Robin Williams, David Hurcomb, and Charles St John, are £85,000, £50,000, £45,000 and £8,000, respectively.

Approval

The Directors' remuneration policy and the annual report on remuneration, together comprising the Directors' remuneration report, were approved by the Board of Directors on 19 August 2020 and signed on its behalf by the Chairman of the Remuneration Committee.

David Hurcomb
Chair of the Remuneration Committee
19 August 2020

Directors' report

Introduction

The Directors present their annual report and the Group audited financial statements for the year ended 30 April 2020. The strategic report on pages 1 to 35, the corporate governance report on pages 36 to 51 and certain notes to the financial statements are also incorporated into this report by reference.

Business review and future developments

A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is given in the strategic report on pages 1 to 35.

Results and dividend

The Group's results for the year are shown in the consolidated statement of comprehensive income on page 56.

A final dividend of 1.0p per share was paid to shareholders on 27 September 2019 in respect of the financial year ended 30 April 2019. No interim dividend was paid during the year and no final dividend is proposed in respect of the financial year ended 30 April 2020.

Financial risk management

Information relating to the principal risks and uncertainties of the Group has been included within the strategic report. Further information relating to the financial risks of the Group has been included within note 24 of the consolidated financial statements.

Directors

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

- A Barden
- M Cutler
- P Pearson (resigned 31 October 2019)
- R Williams
- D Hurcomb
- G Campbell (appointed 25 February 2020)
- C St John (appointed 25 February 2020)

Frank Nelson was appointed as Non-Executive Director and Chair Designate from 1 July 2020. Adrian Barden and Robin Williams will step down from the Board on 31 August 2020.

The biographies of the Directors are detailed on page 36. Their interests in the ordinary shares of the Company are shown in the Directors' remuneration report on page 49. In addition to the interests in ordinary shares, the Group operates a performance share plan ("LTIP") for senior executives, under which certain Directors have been granted conditional share awards. Details of the share options granted are detailed in the Directors' remuneration report on page 48.

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

Directors' indemnities

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

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

Employees

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

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

For further details regarding employees, please see the corporate social responsibility statement on pages 30 to 32.

Share capital

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

As at 30 April 2020 the issued share capital of the Company was 106,666,650 ordinary shares of 2p each. On 9 April 2020 26,666,650 new ordinary shares of 2p each were issued at a price of 25p per share. Details of the share capital as at 30 April 2020 are shown in note 27 of the consolidated financial statements.

The market price of the Company's shares at the end of the financial year was £0.330 and the range of market prices during the year was between £0.610 and £0.295.

Substantial shareholdings

As at 1 July 2020, the Company had been notified of the following interests representing 3% or more of the voting rights in the issued share capital of the Company.

Name of holder	Total holding of shares	% of total voting rights
Ruffer LLP	21,002,558	19.69
Otus Capital Mgt	20,462,441	19.18
Miton Asset Mgt	12,440,024	11.66
Close Asset Mgt	8,054,442	7.59
Gresham House Asset Mgt	7,456,248	6.99
NR Holdings	6,009,999	5.63

Corporate governance

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

Going concern

The statement regarding going concern is set out in note 2 to the consolidated financial statements on page 60.

Annual General Meeting

The Annual General Meeting ("AGM") will be held on 28 September 2020 at Southwell Lane Industrial Estate, Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG17 8GJ. The Notice of Annual General Meeting, with explanatory notes, accompanies these financial statements.

Disclosure of information to the auditor

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

Independent auditor

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

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

Graeme Campbell
Company Secretary
19 August 2020

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

Company number: 04720018

Statement of Directors' responsibilities

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

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

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

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

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

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

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

Graeme Campbell
Company Secretary
19 August 2020

Independent auditor's report

To the members of Van Elle Holdings plc

Opinion

We have audited the financial statements of Van Elle Holdings plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 April 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company statement of financial position, the parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Key audit matter	How we addressed the key audit matter in the audit
The Directors' assessment of going concern and associated disclosure in the financial statements: The Directors have prepared the financial statements on a going concern basis. The Directors assessment of the impact of COVID-19 on the going concern of the Group is described in note 2. At the time of approval of the financial statements there are unprecedented levels of uncertainty related to the impact of COVID-19 on all businesses including the Group. The Directors have had to address significant levels of estimation uncertainty in forecasting the expected impact on the Group's future operating results and cashflows including modelling downside sensitivities. The Directors have also applied judgement as to the level of disclosure given in the financial statements in relation to this matter. The COVID-19 outbreak has increased the level of estimation uncertainty and judgement involved in relation to going concern assessments and increased the risk of material uncertainties being present and therefore it was considered to be a significant risk.	We reviewed management's forecasts and sensitivities which covered the period to the end of August 2021. As part of our work we: ▪ confirmed the arithmetic accuracy of the forecasting model; ▪ reviewed the performance post year end against the forecast performance; ▪ challenged the extent of the downside sensitivities included in the model by reference to the previous lockdown period in March and April 2020 and reviewed reverse stress testing of worst case scenarios; ▪ obtained evidence of revenue pipeline and tender activity that had been included in the forecasting model and compared cost forecasts to the previous year and agreed changes were in line with our expectations gathered from the audit work carried out; and ▪ compared working capital cycles to the previous year and those achieved during the lockdown and post-lockdown period to ensure reasonable. We also reviewed the disclosures in the annual report to ensure that they were consistent with the Directors' assessment and supporting COVID-19 budgets and provided suitable information to the users of the financial statements. **Key observations** Our observations are set out in the Conclusions relating to going concern section of our audit report.
Recognition of revenue and attributable profits (or losses) on contracts: Refer to pages 41 and 42 Significant Accounting Matters of the Audit Committee Report and notes 3, 4 and 6 to the financial statements for the Directors' disclosures of the related accounting policies, critical judgements and estimates. Revenue is recognised on the stage of completion of individual contracts as measured at the year-end date. Attributable profit (or loss) is calculated after deducting the costs incurred to date. If the contract is expected to be loss making based on forecast costs and contract revenues, forecast losses are recognised immediately as an expense. The extent of revenue and profit (or loss) to recognise on a particular partially completed contract represents an area of significant judgement within the financial statements, which involves an assessment of both current and future contract performance. The potential outcomes for contracts can have an individual or collectively material impact on the financial statements, whether through error or management bias, and as such this was considered a significant audit risk.	We obtained a breakdown of contracts making up revenue in the year. From the breakdown we selected contracts from each operating segment for testing based on criteria that we considered increased the risk of material misstatement in the revenue recognised on the contract. This included contracts that were significant to a particular operating segment, and disputed contracts. For each contract selected we obtained a copy of the contract documentation and via the audit testing listed below, critically assessed and challenged the recognition of revenue from a review of the performance obligations as follows: ▪ We assessed the position adopted by management at the year end as compared to quantity surveyor applications or external evidence, being customers' certification of work done. ▪ We held meetings with contract managers and enquired on current progress on open contracts and final account negotiations on completed contracts substantiating explanations to supporting correspondence. To ensure that the criteria we used to select the contracts identified all contracts that presented a potential risk to revenue recognition we reviewed individual contract assets and trade receivables which we considered presented the greatest risk of exposure either by size or by age. For each material balance that had not been tested as part of our contract selection described above we reviewed post-year-end correspondence and substantiated to customer certificate and invoice. Where contract assets had not been supported by external certifications we reviewed all other correspondence including support from applications for payment and final account settlements and challenged management's judgement in respect of the recoverability of the amounts recoverable on contracts with reference to our own assessments. **Key observations** We consider the judgements taken by management in relation to revenue recognition to be robust. Nothing has come to our attention that would suggest the recognition of revenue is materially misstated.

Independent auditor's report continued

To the members of Van Elle Holdings plc

Key audit matter	How we addressed the key audit matter in the audit
Carrying value of goodwill in the Group financial statements: The Group's accounting policy and significant judgements and key sources of estimation uncertainty are described in note 4. Details of the impairment considerations are included in notes 3 and 4. The market capitalisation of the Group is at a level below the reported net assets of the Group which is an indication of impairment. Goodwill and other intangible assets are tested for impairment at least annually through comparing the recoverable amount of the cash-generating unit (CGU), based on a value-in-use calculation, to the carrying value. Management considers each operating segment to be a CGU and goodwill is allocated to each CGU. Management's review found evidence of impairment of the goodwill associated with the General Piling CGU. No evidence of impairment was identified in any of the other cash-generating units. The risk that goodwill may be impaired is considered significant due to the level of judgement involved in the impairment review and the opportunity for management bias within the impairment model assumptions.	We reviewed the carrying value of goodwill and examined for indicators of impairment. We also reviewed the impairment model prepared by management and challenged the judgements adopted and estimates applied in the value in use for each CGU including: ▪ review of the integrity of the value in use model and appropriateness of discount rate used with the assistance of our valuation specialists; and ▪ challenged the assumptions in the forecasts of future trading performance and cash generation. This included challenging the robustness of the key assumptions such as the growth rate in light of past performance based on facts and circumstances at the balance sheet date. Our audit procedures for the review of operating cash flows and forecast growth rates included, amongst others, comparing the forecast to recent financial performance and budgets approved by the Board. We reviewed the disclosures in the financial statements to ensure complete and appropriate. **Key observations** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that there is a material misstatement in respect of the carrying value of goodwill in the Group financial statements following the impairment of the goodwill associated with the General Piling CGU.

Our application of materiality

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

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

We determined materiality for the Group to be £200,000 (2019: £200,000), which was based on 5% of profit before tax for the year ended 30 April 2019. This has been deemed appropriate due to the losses made in the current year which incorporate the effects of COVID-19 and therefore are not considered reflective of normalised levels of profit before taxation. We believe that profit before tax represents one of the principal key performance indicators for the Group.

Financial statement materiality applied to the trading component of the Group was £190,000 (2019: £198,000) and to the parent company was £128,000 (2019: £125,000). The basis of parent company materiality was based on 2% of the fixed asset investment which has not changed from the prior year.

Performance materiality was set at 65% being £130,000 (2019: 75% being £150,000) of the above materiality levels. The threshold has been reduced this year to 65% in response to the incidence of immaterial adjustments arising in the previous year's audit.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £5,000 (2019: £5,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Gareth Singleton
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
19 August 2020

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

Consolidated statement of comprehensive income

For the year ended 30 April 2020

	Note	2020 £'000	2019 £'000
Revenue	6	**84,373**	88,468
Cost of sales		**(61,794)**	(60,281)
Gross profit		**22,579**	28,187
Administrative expenses		**(25,131)**	(23,468)
Credit loss impairment charge	19	**(299)**	(157)
Other operating income	7	**1,242**	—
Operating (loss)/profit	9	**(1,609)**	4,562
Operating (loss)/profit before share-based payments and other non-underlying items		**(257)**	5,244
Share-based payments	28	**(116)**	(123)
Other non-underlying items	8	**(1,236)**	(559)
Operating (loss)/profit	9	**(1,609)**	4,562
Finance expense	11	**(654)**	(579)
Finance income	11	**24**	52
(Loss)/profit before tax		**(2,239)**	4,035
Income tax expense	12	**(216)**	(823)
(Loss)/profit after tax and total comprehensive (loss)/income for the year attributable to shareholders of the parent		**(2,455)**	3,212
Earnings per share (pence)			
Basic	14	**(3.0)**	4.0
Diluted	14	**(3.0)**	4.0

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

The notes on pages 60 to 84 form part of these financial statements.

Consolidated statement of financial position
As at 30 April 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	15	**38,566**	38,486
Investment property	16	**829**	—
Intangible assets	17	**1,517**	2,289
		40,912	40,775
Current assets			
Inventories	18	**2,702**	2,882
Trade and other receivables	19	**12,633**	20,558
Corporation tax receivable		**854**	118
Cash and cash equivalents		**12,188**	7,997
Assets classified as held for sale	20	**683**	—
		29,060	31,555
Total assets		**69,972**	72,330
Current liabilities			
Trade and other payables	21	**11,579**	16,506
Loans and borrowings	22	**—**	4,695
Lease liabilities	23	**3,875**	—
Provisions	25	**241**	236
		15,695	21,437
Non-current liabilities			
Loans and borrowings	22	**—**	7,534
Lease liabilities	23	**7,461**	—
Deferred tax	26	**1,572**	1,298
		9,033	8,832
Total liabilities		**24,728**	30,269
Net assets		**45,244**	42,061
Equity			
Share capital	27	**2,133**	1,600
Share premium	27	**8,633**	8,633
Other reserve		**5,807**	—
Retained earnings		**28,671**	31,810
Non-controlling interest		**—**	18
Total equity		**45,244**	42,061

The financial statements were approved and authorised for issue by the Board of Directors on 19 August 2020 and were signed on its behalf by:

Graeme Campbell
Chief Financial Officer

The notes on pages 60 to 84 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 April 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	30	**8,113**	9,463
Interest received		**—**	52
Interest paid		**—**	(579)
Income tax paid		**(679)**	(1,366)
Net cash generated from operating activities		**7,434**	7,570
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,373)**	(2,390)
Disposal of property, plant and equipment		**467**	393
Purchases of intangibles		**(418)**	(10)
Net cash absorbed in investing activities		**(2,324)**	(2,007)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**6,666**	—
Share issue transaction costs		**(326)**	—
Repayment of bank borrowings		**(975)**	(150)
Repayments of Invest to Grow loan		**(15)**	(95)
Principal paid on lease liabilities (2019: payments to finance lease creditors)		**(4,839)**	(5,561)
Interest paid on lease liabilities		**(612)**	—
Interest paid on loans and borrowings		**(42)**	—
Interest received		**24**	—
Dividends paid		**(800)**	(2,640)
Net cash absorbed in financing activities		**(919)**	(8,446)
Net increase/(decrease) in cash and cash equivalents		**4,191**	(2,883)
Cash and cash equivalents at beginning of year		**7,997**	10,880
Cash and cash equivalents at end of year		**12,188**	7,997

The notes on pages 60 to 84 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 30 April 2020

	Share capital £'000	Share premium £'000	Other reserve £'000	Non-controlling interest £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2018	1,600	8,633	—	18	31,115	41,366
Total comprehensive income	—	—	—	—	3,212	3,212
Share-based payment expense	—	—	—	—	123	123
Total changes in equity	—	—	—	—	3,335	3,335
Dividends paid	—	—	—	—	(2,640)	(2,640)
Balance at 30 April 2019	1,600	8,633	—	18	31,810	42,061
Total comprehensive income	—	—	—	—	(2,455)	(2,455)
Share-based payment expense	—	—	—	—	116	116
Total changes in equity	—	—	—	—	(2,339)	(2,339)
Dividends paid	—	—	—	—	(800)	(800)
Issue of share capital	533	—	6,133	—	—	6,666
Write off of non-controlling interest	—	—	—	(18)	—	(18)
Share issue costs	—	—	(326)	—	—	(326)
Balance at 30 April 2020	**2,133**	**8,633**	**5,807**	**—**	**28,671**	**45,244**

The notes on pages 60 to 84 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 April 2020

1. General information

The consolidated financial statements present the results of Van Elle Holdings plc (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2020. A list of subsidiaries and their countries of incorporation is presented in note 5 of the parent company financial statements on page 87.

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

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

The Group's financial statements were authorised for issue by the Board of Directors on 19 August 2020.

2. Basis of preparation

Basis of accounting

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

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

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

Going concern

In determining whether the Group and Company annual consolidated financial statements can be prepared on the going concern basis, the Directors considered all factors likely to affect their future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to their business activities.

The following factors were considered as relevant:

- the Group's net funds position;
- the potential impact of COVID-19 on the Group's profits and cash flows; and
- the Group's order book and the pipeline of potential future orders.

The Group has moved from a net debt position of £4.2m as at the end of 2019 to a net funds position as at the end of 2020. During 2020 the Group has repaid all outstanding loans thereby removing any covenant requirements. The only remaining debt finance relates to HP agreements that have a maximum maturity date of September 2024.

As detailed in the Chief Executive's Review the impact of COVID-19 on construction activity was felt across all sectors – housing sites closed completely, construction projects were substantially paused and critical infrastructure schemes continued where safe to do so but with reduced productivity. Suppliers were also affected, and Scotland stopped all construction activity for several weeks. As a result, revenues were impacted heavily in March and by as much as 80% in April; the final month of the financial year.

Detailed forecasts have been prepared for the foreseeable future, being at least one year from the date of approval of the financial statements. These forecasts reflect a prudent view of performance given the market conditions following COVID-19 are unknown and do not anticipate recovering to normalised trading levels until the end of the financial year ended 30 April 2021. These forecasts demonstrate a healthy cash flow and headroom across the period to August 2021.

Sensitivity analysis has been carried out including the modelling of a second wave of COVID-19 in half two of the financial year. This sensitivity demonstrates that the business has headroom in its existing cash resources should such a scenario arise.

Reverse stress testing has been carried out and the Board is satisfied that the scenarios in which the level of trading is such that the Group experiences a cash outflow of such a level that further debt facilities would be required are remote.

Overdraft facilities have been in place since IPO. Lloyds has agreed to extend the current £2.5m overdraft until 30 November 2020. The Board has no reason to believe these facilities will not be renewed on similar terms but have not assumed the availability of these facilities in their consideration of the scenarios above as part of their going concern assessment.

Based on the above, the Directors conclude that the Group and Company are able to operate within the level of their current financial resources for a period of at least 12 months from the date of approving the financial statements and therefore the financial statements have been prepared on a going concern basis.

Underlying profit before tax, underlying operating profit and underlying earnings per share

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

The calculation of underlying basic and diluted underlying earnings per share is shown in note 14.

2. Basis of preparation continued

Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 May 2019

During the year, the Group has adopted the following new and revised standards and interpretations. Their adoption has not had any significant impact on the accounts or disclosures in these financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- IFRS 9 (amended) Prepayment Features with Negative Compensation
- IAS 19 (amended) Employee Benefits Plan Amendment, Curtailment or Settlement
- IAS 28 (amended) Long-term Interests in Associates and Joint Ventures

IFRS 16 is adopted for the first time in these financial statements. The nature and impact of adoption are discussed below:

IFRS 16 removes the distinction between "operating" and "finance" leases and, with this, leases which would have been previously deemed as "operating" – based on an assessment of the balance of risk and reward transferred – are now recognised on the balance sheet with the creation of a "right-of-use" asset and an associated lease liability reflecting future lease payments. The risk/reward distinction criteria of IAS 17 are removed and the aforementioned treatment applies to all lease contracts where it is deemed the lessee has the right to direct an identified asset's use and to obtain substantially all the economic benefits from that use (termed "control" under IFRS 16). In the income statement, the operating lease charges which would have been recognised under IAS 17 are replaced by an IFRS 16 depreciation and interest charge.

Impact of accounting policy change

The Group has elected to adopt the modified retrospective approach whereby the standard is applied from the beginning of the current period and, as a result, prior-period financial information is not restated. In the application of this approach the right-of-use asset is equal to the lease liability adjusted for prepaid or accrued lease payments immediately before the date of initial application. The cumulative impact of initial recognition of IFRS 16 is immaterial and thus there is no adjustment through opening retained earnings.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- use of a single discount rate across a portfolio of leases with reasonably similar characteristics; and
- application of the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

The lease payments for low value and short-term leases are expensed on a straight-line basis in accordance with IFRS 16.6.

On initial adoption of IFRS 16, lease liabilities of £3,961,000 were recognised. This reconciles to the operating lease commitments presented in the prior-period financial statements as shown below:

	£'000
At 30 April 2019 – operating lease commitments	9,313
Recognition exemption for short-term leases	(17)
Discount at incremental borrowing rate of 3.9%	(5,335)
At 1 May 2019	3,961

Adopting IFRS 16 has resulted in the following during the year ended 30 April 2020:

- gross assets and gross liabilities increasing as at 1 May 2019 with the creation of the "right-of-use assets" (recognised within "property, plant and equipment" – £3,659,000 impact) and corresponding lease liabilities (shown as "lease liabilities" – £3,961,000 impact);
- depreciation and interest increased by £121,000 and £153,000 respectively;
- rental charges decreased by £202,000; and
- cash flows for rental charges and interest on lease liability payments and other interest amounts moved from operating cash flows to financing cash flows.

The difference of £302,000 between the value of the right-of-use asset and lease liability recognised on adoption of IFRS 16 reflects the accrual for lease payments as at 1 May 2019.

New standards, interpretations and amendments not yet effective

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

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020);
- Amendments to IFRS 3 Business Combinations – Definition of a Business (effective 1 January 2020);
- Definition of Material – Amendments to IAS 1 and IAS 8 (effective 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020);
- COVID-19-related Rent Concessions – Amendment to IFRS 16 Leases (effective 1 June 2020);
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective 1 January 2022*);
- Amendments to: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022); and
- Annual Improvements to IFRSs (2018-2020 Cycle): IFRS 1; IFRS 9; Illustrative Examples Accompanying IFRS 16; and IAS 41 (effective 1 January 2022).

* Note that the IASB has voted to propose a one year deferral of the effective date to 1 January 2023.

3. Significant accounting policies

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

Basis of consolidation

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

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

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

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

Revenue

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

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

General and Specialist Piling

The performance obligations and transaction price are defined within signed contracts between the customer and the Group. Each performance obligation represents a series of distinct item of 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 item of goods 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 item of goods 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. interpretative reports and testing) the work performed by the Group does not create or enhance an asset that the customer controls. Revenue for these performance obligations is recognised at a point in time (e.g. on delivery of report). Costs relating to these performance obligations are capitalised and fully amortised at the point in time when the performance obligation is fully satisfied. Contracts may also contain a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (e.g. bore hole drilling). This is classified as a series as an asset is enhanced that the customer controls, each distinct item of goods 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 item of goods to the customer. The revenue for each performance obligation is recognised over time because each item of goods enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time using the output method. Progress is determined by completed logs.

Ground Engineering Products

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

Variable consideration

The following types of income are variable consideration and are only recognised when management determines it to be highly probable that a significant reversal in revenue will not occur in a future period:

Liquidated damages ("LADs")

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

3. Significant accounting policies continued

Variable consideration continued

Standing time

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

Adjustments to invoiced variable consideration

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

Trade receivables

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

Contract assets

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

Contract liabilities

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

Segment reporting

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

Exceptional items

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

Other non-recurring items

The Group's income statement separately identifies other non-recurring items. Such items are those that in the Directors' judgement occur infrequently and do not reflect the underlying performance of the business and therefore need to be disclosed separately. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing other non-recurring items separately provides an additional understanding of the performance of the Group. Other non-recurring items include exceptional items as defined above.

Taxation

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

Current income tax is based on taxable profits for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Dividends

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

Property, plant and equipment

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

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

Notes to the consolidated financial statements continued

For the year ended 30 April 2020

3. Significant accounting policies continued

Property, plant and equipment continued

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

Freehold buildings	–	2%–20% per annum straight line
Plant and machinery	–	8%–20% per annum straight line
Office equipment	–	10%–25% per annum straight line
Motor vehicles	–	10%–25% per annum straight line

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

Subsequent expenditure on repairs and refurbishments which does not enhance the value or extend the lives of the related assets is recognised as an expense in the income statement as incurred.

Investment property

Investment properties are held for long-term rental yields and are not occupied by the Group. They are carried at depreciated historical cost.

Freehold land is not depreciated. Depreciation is provided on all other items of investment property and is calculated using the straight-line method, to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	–	2%–20% per annum straight line

Intangible assets

Goodwill

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

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

Computer software

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

Development costs

Costs associated with the development of new products and techniques are capitalised as intangible assets once technical and commercial feasibility of the asset for sale or use has been established and all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Impairment of non-financial assets

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

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

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

3. Significant accounting policies continued

Inventories

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

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

Assets classified as held for sale

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy and fair value less costs of disposal.

Following their classification as held for sale, non-current assets are not depreciated.

Financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

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

3. Significant accounting policies continued

Retirement benefit cost

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

Leased assets

The Group recognises a right-of-use asset and a corresponding lease liability for all lease agreements in which it is the lessee (with the exception of short-term and low value leases as defined in IFRS 16 which are recognised as an operating expense on a straight-line basis over the term). The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The right-of-use asset recognised initially is the amount of the lease liability, adjusted for any lease payments and lease incentives made before the commencement date, in accordance with IFRS 16.24.

Provisions

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

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

Deferred taxation

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

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

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

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

Share capital

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

Share-based payments

The Group operates two equity-settled share-based payment plans, details of which can be found in note 28 to the consolidated financial statements.

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

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

4. Critical accounting estimates and judgements

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

4. Critical accounting estimates and judgements continued

Critical accounting judgements

Underlying profit before tax, underlying operating profit and underlying earnings per share

The Directors consider that the adjusted profit measure provides useful information to shareholders on the underlying trading performance. This is consistent with how business performance is measured internally by the Board. These underlying performance measures are not a recognised measure under IFRS and may not be directly comparable with adjusted measures used by other companies.

The classification of items excluded from underlying profit measures requires judgement including the consideration of the nature, circumstance, scale and impact of a transaction. Significant non-recurring transactions that are not part of the operating activities of the Group are classified as other non-underlying items. Further detail is provided in note 8.

Contracts

The point at which variable consideration becomes highly probable and therefore is recognised in the financial statements requires management judgement. The policy in respect of recognition of variable consideration is detailed in note 3.

Leased assets

In the application of the new leasing standard, IFRS 16, a right-of-use asset and lease liability have been recognised based on the discounted payments required under the lease, taking into account the lease term. The lease term is based on the non-cancellable period of the lease together with periods covered by an option to extend the lease where it is considered reasonably certain that options to extend will be exercised. Judgement is required in determining whether options to extend or terminate the lease will be exercised.

Development costs

Costs associated with the development of new products and techniques are capitalised as intangible assets once technical and commercial feasibility of the asset for sale or use have been established. Judgement is required in determining whether development costs meet the criteria for capitalisation as an intangible asset including whether it is probable that future economic benefits will be derived from the asset.

Assets classified as held for sale

Assets are classified as held for sale when they meet the criteria as detailed in note 3. Judgement is required in determining whether the criteria have been met for classification as held for sale in relation to whether it is unlikely that the plan to sell the asset will be changed and whether a sale is expected to complete in the next 12 months.

Sources of estimation uncertainty

Contracts

The key estimates in the recognition of contract revenue include the estimate of the recoverable value of work carried out at the balance sheet date shown under contract assets and the outcome of claims raised against the Group by customers or third parties. The estimate is formed based on confirmation of work done at the year end by customers and by its nature changes in the estimate would have a £ for £ consequential impact on the level of revenue and profit recognised.

In addition, the Group recognises impairment provisions in respect of bad and doubtful trade debtors. The estimates necessary to calculate these provisions are based on historical experience adjusted for estimates of known changes in credit risk based on facts and circumstances at the year-end date (COVID-19). 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 and further details are provided in note 19. Changing these estimates by 25% will not materially change the level of impairment provision recognised.

Goodwill

Impairment tests make assumptions about the amount and timing of future cash flows for each cash generating unit including estimates of growth rates, discount rates and cash conversion rates.

Growth rates are estimated with reference to the Board-approved budget for the year ended 30 April 2021 and forecast cash flow projections for the year ended 30 April 2022. Subsequent growth rates are estimated with reference to CPI inflation expectations.

The rate used to discount the projected cash flows is a pre-tax risk-adjusted discount rate estimated based on the weighted average cost of capital of a basket of comparable companies plus a risk premium to reflect the increased risk over future cash flows as a result of COVID-19.

Future cash conversion rates are estimated based on historical experience of cash conversion.

The impact of these estimates is detailed further in note 17.

Leased assets

In the application of the new leasing standard, IFRS 16, a right-of-use asset and lease liability have been recognised based on the discounted payments required under the lease. The discount of future lease payments requires an estimate of the effective interest rate. The estimate of the effective interest rate is based on the Group's incremental borrowing rate on property assets. A 0.5% increase or decrease in the estimated effective interest rate would result in a difference of £367,000 in the value of the right-of-use asset and lease liability.

Notes to the consolidated financial statements continued

For the year ended 30 April 2020

5. Segment information

The Group evaluates segmental performance based on profit or loss from operations calculated in accordance with IFRS but excluding non-recurring losses, such as goodwill impairment, and the effects of share-based payments. Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. Loans and borrowings, insurances and head office central services costs are allocated to the segments based on levels of turnover. Details of the types of products and services for each segment are given in the operational review on pages 11 to 13. All turnover and operations are based in the UK.

Operating segments – 30 April 2020

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Revenue	29,314	25,359	29,565	135	84,373
Other operating income	—	—	—	1,242	1,242
Underlying operating profit	(897)	334	240	66	(257)
Share-based payments	—	—	—	(116)	(116)
Other non-underlying items	(1,101)	—	—	(135)	(1,236)
Operating profit	(1,998)	334	240	(185)	(1,609)
Finance expense	—	—	—	(654)	(654)
Finance income	—	—	—	24	24
Profit before tax	(1,998)	334	240	(815)	(2,239)
Assets					
Property, plant and equipment	9,180	11,577	7,538	10,271	38,566
Intangible assets	32	1,160	290	35	1,517
Inventories	1,269	644	779	10	2,702
Reportable segment assets	10,481	13,381	8,607	10,316	42,785
Investment property	—	—	—	829	829
Trade and other receivables	—	—	—	13,487	13,487
Cash and cash equivalents	—	—	—	12,188	12,188
Assets classified as held for sale	—	—	—	683	683
Total assets	10,481	13,381	8,607	37,503	69,972
Liabilities					
Trade and other payables	—	—	—	11,579	11,579
Provisions	—	—	—	241	241
Lease liabilities	—	—	—	11,336	11,336
Deferred tax	—	—	—	1,572	1,572
Total liabilities	—	—	—	24,728	24,728
Other information					
Capital expenditure	137	835	2,645	149	3,766
Depreciation/amortisation	1,141	1,612	830	1,039	4,622

5. Segment information continued

Operating segments – 30 April 2019

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Revenue	37,201	28,630	22,637	—	88,468
Underlying operating profit	1,238	2,697	1,309	—	5,244
Share-based payments	—	—	—	(123)	(123)
Exceptional items	—	—	—	(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 year.

6. Revenue from contracts with customers

Disaggregation of revenue – 30 April 2020

End market	**General Piling £'000**	**Specialist Piling £'000**	**Ground Engineering Services £'000**	**Head office £'000**	**Total £'000**
Residential	**13,677**	**2,523**	**25,101**	**—**	**41,301**
Infrastructure	**2,215**	**19,088**	**2,671**	**—**	**23,974**
Regional construction	**13,292**	**3,645**	**1,791**	**—**	**18,728**
Other	**130**	**103**	**2**	**135**	**370**
Total	**29,314**	**25,359**	**29,565**	**135**	**84,373**

Head office revenue relates to revenue generated from the provision of training services.

During the financial year ended 30 April 2020 the commercial and industrial and public customer sectors have been reclassified as regional construction. New housing has been renamed residential.

Disaggregation of revenue – 30 April 2019

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

6. Revenue from contracts with customers continued

Contract assets

	2020 £'000	2019 £'000
As at 1 May	**1,771**	1,693
Transfers from contract assets to trade receivables	**(1,771)**	(1,693)
Excess of revenue recognised over invoiced amount	**1,258**	1,771
Impairment of contract assets	**—**	—
As at 30 April	**1,258**	1,771

Contract liabilities

	2020 £'000	2019 £'000
As at 1 May	**291**	174
Interest on contract liabilities	**—**	—
Contract liabilities recognised as revenue in the period	**(91)**	(174)
Deposits received in advance of performance	**28**	91
Overpayments received	**—**	200
As at 30 April	**228**	291

7. Other operating income

	2020 £'000	2019 £'000
Research and development expenditure credit relating to prior years	**1,003**	—
Research and development expenditure credit relating to current year	**239**	—
	1,242	—

The research and development expenditure credits have arisen as a result of the engagement of a research and development expenditure credit third party expert which has performed a review of the claims made in respect of the years ending 30 April 2018 and 2019. The claims relating to prior years have been classified as non-underlying on the basis they relate to previous financial years. Refer to note 8.

8. Other non-underlying items

	2020 £'000	2019 £'000
Exceptional costs	**652**	559
Impairment of property	**486**	—
Impairment of goodwill	**1,101**	—
Research and development expenditure credit relating to prior years	**(1,003)**	—
	1,236	559

Current year exceptional costs relate to restructuring including redundancy and CEO compensation as the Group made the final changes to the operating divisions, the streamlining of which began in 2018, and costs incurred in the resolution of the technical compliance irregularity concerning the final dividend for the year ended 30 April 2019 as detailed in note 13.

The Group vacated the site located at Pinxton during the financial year and sub-let the site to a third party. The valuation of the site undertaken to establish rental values indicated impairment of the property. An impairment loss of £486,000 has been recognised in respect of this investment property.

The goodwill allocated to the General Piling division has been impaired by £1,101,000 and is considered to be non underlying. Further details of goodwill impairment are detailed in note 17.

Income in respect of a research and development expenditure credit claim relating to financial years ending 2018 and 2019 is considered to be non-underlying as it relates to previous financial years.

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

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

9. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment	**4,533**	4,291
Amortisation of intangible assets	**89**	45
Impairment of investment property	**486**	—
Impairment of goodwill	**1,101**	—
Impairment of assets classified as held for sale	**36**	—
Government grants	**—**	(9)
Lease expense:		
– Plant and machinery on short-term hire	**3,116**	2,706
– Other	**—**	211
Profit on disposal of property, plant and equipment	**(107)**	(26)
Fees payable to the Company's auditor for the audit of the Company financial statements	**15**	15
Fees payable to the Company's auditor for other services:		
– Audit of financial statements of subsidiaries pursuant to legislation	**70**	53
– Taxation compliance	**20**	5
– Non-audit assurance services	**27**	17

10. Staff costs

Staff costs, including Directors, are outlined below. Further details of Directors' remuneration, including details of the highest paid Director, share options, long-term incentive plans and Directors' pension entitlements, are disclosed in the remuneration report on page 48.

	2020 £'000	2019 £'000
Employee benefits expenses (including Directors):		
Wages and salaries	**24,412**	24,642
Social security contributions and similar taxes	**2,686**	2,741
Defined contribution pension cost	**722**	504
Share-based payments (note 28)	**116**	123
	27,936	28,010
Directors and key management personnel:		
Wages and salaries	**1,789**	1,907
Defined contribution pension cost	**74**	69
Share-based payments (note 28)	**33**	123
	1,896	2,099

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

Details of the highest paid Director are included in the annual report on remuneration on page 48.

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

	2020 Number	2019 Number
Administrative	**169**	175
Operative	**348**	355
	517	530

11. Finance income and expense

	2020 £'000	2019 £'000
Finance income		
Interest received on bank deposits	**24**	52
Finance expense		
Lease interest	**612**	546
Loan interest	**42**	33
	654	579

Notes to the consolidated financial statements continued

For the year ended 30 April 2020

12. Income tax expense

	2020 £'000	2019 £'000
Current tax (credit)/expense		
Current tax on profits for the year	—	537
Adjustment for over provision in the prior period	(59)	(43)
Total current tax (credit)/expense	(59)	494
Deferred tax expense		
Origination and reversal of temporary differences	195	329
Adjustment for over provision in the prior period	(66)	—
Effect of decreased tax rate on opening balance	146	—
Total deferred tax expense	275	329
Income tax expense	216	823

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

	2020 £'000	2019 £'000
(Loss)/profit before income taxes	(2,239)	4,035
Tax using the standard corporation tax rate of 19% (2019: 19%)	(425)	767
Adjustments for over provision in previous periods	(125)	(43)
Expenses not deductible for tax purposes	223	94
Income not taxable	(195)	—
Non-qualifying depreciation	—	5
Unused tax losses for which no deferred tax asset has been recognised	592	—
Tax rate changes	146	—
Total income tax expense	216	823

During the year ended 30 April 2020, corporation tax has been calculated at 19% of estimated assessable profit for the year (2019: 19%).

The provision for deferred tax is calculated based on the tax rates enacted or substantively enacted at the balance sheet date. The change to the corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 will now remain at 19%, rather than the previously enacted reduction to 17%. These changes to the future tax rate were substantively enacted at the balance sheet date. The provision for deferred tax in the financial statements has been based upon the expected rate of reversal for each major part of deferred tax.

13. Dividends

	2020 £'000	2019 £'000
Final dividend – year ended 2019		
1.0p per ordinary share paid during the year (2019: 2.3p)	800	1,840
Interim dividend – year ended 2020		
£nil per ordinary share paid during the year (2019: 1.0p)	—	800
	800	2,640

No final dividend is proposed for the year ended 30 April 2020.

During the financial year the Board became 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.

Note 12 (Dividends) to the consolidated financial statements of the Group for the year ended 30 April 2019, 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."

As a result of an administrative oversight, the subsidiary company dividend referred to in note 12 was not made and as a consequence the requisite level of distributable reserves was 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 was technically unlawful.

13. Dividends continued

On becoming aware of this situation the Board has taken steps to rectify this position as follows:

a) the interim accounts prepared, confirming sufficient distributable reserves were available at the time the dividend was declared by the Board, have now been filed with the Registrar of Companies satisfying the requirements of Section 838(6) of the Companies Act 2006; and

b) an extraordinary general meeting was held on 26 February 2020 and the following special resolutions were passed:

- authorising and approving the appropriation of distributable profits of the Company as of 27 September 2019 to the payment of the relevant distributions;
- releasing shareholders from claims by the Company in relation to the unlawful dividend and directing the Company to enter into a deed poll in respect of the same; and
- releasing past and present Directors from claims in relation to the unlawful dividend and directing the Company to enter into a deed of release in respect of the same.

14. Earnings per share

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

	2020 '000	2019 '000
Basic weighted average number of shares	**81,534**	80,000

	£'000	£'000
(Loss)/profit for the year	**(2,455)**	3,212
Add back/(deduct):		
Share-based payments	**116**	123
Other non-underlying items	**1,236**	559
Tax effect of the above	**(124)**	(106)
Underlying (loss)/profit for the year	**(1,227)**	3,788

	Pence	Pence
Earnings per share		
Basic	**(3.0)**	4.0
Diluted	**(3.0)**	4.0
Basic – excluding share-based payments and other non-underlying items	**(1.5)**	4.7
Diluted – excluding share-based payments and other non-underlying items	**(1.5)**	4.7

There is no dilutive effect of the share options given the loss in the current year and as in the previous year the performance conditions remain unsatisfied or the share price was below the exercise price.

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders and on 81,534,246 ordinary shares (2019: 80,000,000), being the weighted average number of ordinary shares.

The underlying earnings per share is based on profit adjusted for share-based payment charges and other non underlying items, 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.

15. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 May 2018	6,787	43,281	8,755	436	59,259
Additions	356	2,574	684	24	3,638
Disposals	—	(938)	(508)	—	(1,446)
At 1 May 2019	7,143	44,917	8,931	460	61,451
On adoption of IFRS 16 at 1 May 2019	3,659	—	—	—	3,659
Additions	136	2,729	465	17	3,348
Disposals	—	(992)	(385)	—	(1,377)
Transferred to investment property	(1,315)	—	—	—	(1,315)
Transferred to assets available for sale	(821)	—	—	—	(821)
At 30 April 2020	**8,802**	**46,654**	**9,011**	**477**	**64,944**
Accumulated depreciation					
At 1 May 2018	691	15,286	3,517	263	19,757
Charge for the year	283	2,684	1,280	44	4,291
Disposals	—	(743)	(340)	—	(1,083)
At 1 May 2019	974	17,227	4,457	307	22,965
Charge for the year	420	2,893	1,177	43	4,533
Disposals	—	(652)	(366)	—	(1,018)
Transferred to assets available for sale	(102)	—	—	—	(102)
At 30 April 2020	**1,292**	**19,468**	**5,268**	**350**	**26,378**
Net book value					
At 30 April 2019	6,169	27,690	4,474	153	38,486
At 30 April 2020	**7,510**	**27,186**	**3,743**	**127**	**38,566**

Included within plant and machinery are £nil (2019: £511,000) of assets in the course of construction.

The amounts shown above include the following right-of-use assets:

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 May 2019	—	20,308	1,737	22,045
On adoption of IFRS 16 at 1 May 2019	3,659	—	—	3,659
Additions	—	1,102	—	1,102
At 30 April 2020	**3,659**	**21,410**	**1,737**	**26,806**
Accumulated depreciation				
At 1 May 2019	—	4,393	362	4,755
Charge for the year	121	1,487	174	1,782
At 30 April 2020	**121**	**5,880**	**536**	**6,537**
Net book value				
At 30 April 2019	—	15,915	1,375	17,290
At 30 April 2020	**3,538**	**15,530**	**1,201**	**20,269**

16. Investment property

	Land and buildings £'000
Cost	
Transferred from owner occupied property	1,315
At 30 April 2020	**1,315**
Accumulated depreciation	
Impairment loss	486
At 30 April 2020	**486**
Net book value	
At 30 April 2020	**829**

During the year ending 30 April 2020 a valuation of the property, classified as an investment property, performed for the purpose of establishing rental values, indicated the carrying value of the asset exceeded its recoverable amount.

An impairment test was undertaken and an impairment loss of £486k has been recognised in the statement of comprehensive income.

17. Intangible assets

	Goodwill £'000	Software £'000	Development costs £'000	Total £'000
Cost				
At 1 May 2018	2,179	221	—	2,400
Additions	—	10	—	10
At 1 May 2019	2,179	231	—	2,410
Additions	—	—	418	418
At 30 April 2020	**2,179**	**231**	**418**	**2,828**
Accumulated amortisation				
At 1 May 2018	—	76	—	76
Charge for the year	—	45	—	45
At 1 May 2019	—	121	—	121
Charge for the year	—	51	38	89
Impairment	1,101	—	—	1,101
At 30 April 2020	**1,101**	**172**	**38**	**1,311**
Net book value				
At 30 April 2019	2,179	110	—	2,289
At 30 April 2020	**1,078**	**59**	**380**	**1,517**

Goodwill

Goodwill relates to the purchase of subsidiary undertakings. Goodwill is not amortised but is tested for impairment in accordance with IAS 36 Impairment of Assets at least annually or more frequently if events or changes in circumstances indicate a potential impairment.

Goodwill is allocated to cash generating units ("CGUs") as follows:

	2020 £'000	2019 £'000
General Piling	**—**	1,101
Specialist Piling	**890**	890
Ground Engineering Services	**188**	188
	1,078	2,179

The carrying value of goodwill has been compared to its recoverable amount based on the value in use of the CGUs to which the goodwill has been allocated. Each operating segment within the Group has been assessed as a separate CGU, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets.

The value-in-use calculations use pre-tax cash flow projections based on the Board-approved budget for the year ending 30 April 2021 which takes into account secured orders, the order pipeline, business plans and management actions, and forecast cash flow projections for the year ending 30 April 2022. The forecast cash flow projections for the year ending 30 April 2022 assumes a return to near pre-COVID-19 levels of activity with an annualised increase in cash flow of 70% from the COVID-19 impacted year ending 30 April 2021. Subsequent cash flows are extrapolated using an estimated growth rate of 2% in line with long-term CPI inflation expectations.

17. Intangible assets continued

Goodwill continued

The rate used to discount the projected cash flows is a pre-tax risk-adjusted discount rate of 12% (2019: 13%) based on the weighted average cost of capital of a basket of comparable companies plus a risk premium to reflect the increased risk over future cash flows as a result of COVID-19. The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 24 to 27, would also impact each CGU in a similar manner.

The key assumptions to which the assessment of the recoverable amounts of CGUs are sensitive are the projected operating profit for the period to 30 April 2022 and the discount rate applied. For each CGU, management has considered the level of headroom resulting from the impairment tests, and performed further sensitivity analysis by changing the base case assumptions applicable to each CGU. The sensitivities tested related to changes in discount rate, changes in operating profit and a combination thereof.

The value-in-use calculations, together with the sensitivity analysis described above, indicate an impairment of the goodwill allocated to the General Piling CGU as a result of uncertain market conditions, increased competition and the significant impact of COVID-19 on this division. Impairment of £1,101,000, being the carrying value of goodwill assigned to the General Piling CGU, has been recognised in the statement of comprehensive income. The value-in-use calculations for Specialist Piling and Ground Engineering Services indicate that impairment of the goodwill assigned to these CGUs is not required.

The sensitivity analysis performed indicates that a 1% increase in the discount rate or a 15% decrease in the growth assumption for the year ended 30 April 2022 would not cause the carrying amount of the CGU to exceed its recoverable amount in respect of the Specialist Piling and Ground Engineering Services CGUs. The Board recognises the sensitivity in the estimate of discount rate applied and an increase of the discount rate above 14% would result in an impairment of the Goodwill allocated to the Specialist Piling CGU. The Board is satisfied that that further impairment is not required given the level of risk incorporated into the cash flows included in the model and therefore further increases in the discount rate would not be considered appropriate. Reasonable changes in the discount rate would not give rise to an impairment in the Ground Engineering Services CGU. In addition the Board is satisfied that downward sensitivities of the assumptions in the impairment model does not result in impairment of the property plant and equipment in the General Piling CGU given the expected realisable value of the relevant assets.

18. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	**1,591**	1,875
Work in progress	**1,111**	1,007
	2,702	2,882

There were no impairment losses relating to damaged or obsolete inventories in the current or previous periods. The cost of materials recognised as an expense within cost of sales is £30,835,000 (2019: £29,726,000).

19. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**9,060**	15,296
Less: provision for impairment	**(190)**	(48)
Trade receivables – net	**8,870**	15,248
Receivables from related parties	**—**	—
Financial assets classified as amortised costs	**8,870**	15,248
Contract assets	**1,258**	1,771
Prepayments	**406**	2,871
Other receivables	**2,099**	668
	12,633	20,558

Other receivables of £2.1m relate to the receivable in respect of the research and development expenditure credit claim for the financial years ended 30 April 2018, 2019 and 2020 and the furlough claim for the month ended 30 April 2020.

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

All amounts shown under receivables fall due within one year.

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

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

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

19. Trade and other receivables continued

As at 30 April 2020 the lifetime expected loss provision for trade receivables is as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Current	**0.0%**	**6,117**	**—**
More than 30 days past due	**0.5%**	**1,370**	**7**
More than 60 days past due	**7.5%**	**270**	**20**
More than 90 days past due	**12.5%**	**1,303**	**163**
		9,060	**190**

As at 30 April 2019 the lifetime expected loss provision for trade receivables was as follows:

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

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

	2020 £'000	2019 £'000
At 1 May	**48**	—
Increase during the year	**299**	157
Receivable written off during the year as uncollectable	**(157)**	(109)
Unused amounts reversed	**—**	—
At 30 April	**190**	48

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

20. Assets classified as held for sale

During the year ended 30 April 2020 the Group vacated the Dereham site as part of the consolidation of the Group's operations into a single site at Kirkby-in-Ashfield. The net book value of the property comprising land and buildings immediately prior to classification as assets held for sale was £719,000. A verbal offer has been received for the property and the Directors expect the sale to be completed in September 2020. The fair value less costs to sell of the property has been assessed as £683,000. The fair value of the property is based on the verbal offer received. An impairment loss of £36,000 has been recognised in the statement of comprehensive income.

21. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**8,519**	14,517
Other payables	**144**	301
Accruals	**899**	648
Financial liabilities measured at amortised cost	**9,562**	15,466
Contract liabilities	**228**	291
Tax and social security payments	**1,789**	749
	11,579	16,506

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

Notes to the consolidated financial statements continued

For the year ended 30 April 2020

22. Loans and borrowings

	2020 £'000	2019 £'000
Non-current		
Bank loans secured	—	825
Other loans secured	—	—
Finance lease liabilities	—	6,709
	—	7,534
Current		
Bank loans secured	—	150
Other loans secured	—	15
Finance lease liabilities	—	4,530
	—	4,695
Total loans and borrowings	—	12,299
Maturity of loans and borrowings		
Due within one year	—	4,695
Between two and five years	—	7,534
After more than five years	—	—
	—	12,229

In the year ending 30 April 2020 the Group repaid all outstanding loans and borrowings.

The carrying value of the prior year loans and borrowings approximated fair value.

The loans were secured against specific freehold land and buildings and interest was payable at LIBOR plus 2.25% per annum.

Finance lease liabilities have been reclassified to lease liabilities as per note 23 as a result of the adoption of IFRS 16.

The Group has a £2,500,000 overdraft facility in place, currently unutilised, which is subject to review on 30 November 2020.

23. Lease liabilities

All leases are accounted for by recognising a right-of-use asset as detailed in note 15 and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

IFRS 16 was adopted on 1 May 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 May 2019, see note 2. The policies that have been applied subsequent to the date of initial application are detailed in note 3.

The Group leases a number of rig assets and vehicles under hire purchase agreements. Hire purchase agreements have fixed repayments and are repaid over a five-year period. The Group also leases two properties with fixed repayments. The remaining lease periods as at 30 April 2020 in respect of these property leases are 53 and 4 years.

The expense relating to short-term leases and leases of low value assets is not material to the financial statements.

The following table sets out the movement in lease liabilities during the financial year:

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
At 1 May 2019	—	10,270	969	11,239
On adoption of IFRS 16 at 1 May 2019	3,961	—	—	3,961
Additions	—	975	—	975
Interest expense	153	407	52	612
Principal and interest paid on lease liabilities	(153)	(4,835)	(463)	(5,451)
At 30 April 2020	**3,961**	**6,817**	**558**	**11,336**

The following table sets out the maturity of discounted lease liabilities:

	Carrying value £'000
Due less than 3 months	1,102
Due between 3 and 12 months	2,773
Current lease liabilities	**3,875**
Due between 1 and 2 years	2,614
Due between 2 and 5 years	1,239
Due after 5 years	3,608
Non-current lease liabilities	**7,461**

The maturity of undiscounted lease liabilities is disclosed in note 24.

24. Financial instruments and risk management

The Group's financial instruments comprise cash, lease liabilities and various items such as receivables and payables which arise from its operations.

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

Financial instruments by category

	Amortised cost	
	2020 £'000	2019 £'000
Financial assets		
Cash and cash equivalents	**12,188**	7,997
Trade and other receivables	**8,870**	15,248
Contract assets	**1,258**	1,771
Total financial assets	**22,316**	25,016

	Amortised cost	
	2020 £'000	2019 £'000
Current financial liabilities		
Trade and other payables	**9,562**	15,466
Secured loans	**—**	165
Lease liabilities	**3,875**	4,530
Total current financial liabilities	**13,437**	20,161
Non-current financial liabilities		
Secured loans	**—**	825
Lease liabilities	**7,461**	6,709
Total non-current financial liabilities	**7,461**	7,534
Total financial liabilities	**20,898**	27,695

Capital management

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown in note 31, and equity attributable to equity holders of the parent as shown in the consolidated statement of financial position. The Group maintains a balance between certainty of funding and a flexible, cost-effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to ensure that its capital structure is appropriate to support this balance and the Group's operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Financial risk management

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

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

Credit risk

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

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

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

24. Financial instruments and risk management continued

Liquidity risk

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

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

The Board receives rolling three-month cash flow projections on a weekly basis. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed £2,500,000 overdraft facility.

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

	Carrying value £'000	Total £'000	Due less than 3 months £'000	Due between 3 and 12 months £'000	Due between 1 and 5 years £'000
At 30 April 2020					
Trade and other payables	**9,562**	**9,562**	**9,562**	**—**	**—**
Secured loans	**—**	**—**	**—**	**—**	**—**
Lease liabilities (note 23)	**11,336**	**17,201**	**1,245**	**3,142**	**12,814**
	20,898	**26,763**	**10,807**	**3,142**	**12,814**
At 30 April 2019					
Trade and other payables	15,466	15,466	15,466	—	—
Secured loans	990	1,031	61	133	837
Lease liabilities (note 23)	11,239	12,264	1,345	3,619	7,300
	27,695	28,761	16,872	3,752	8,137

Market risk – interest rate risk

It is currently Group policy that 100% of external Group borrowings (excluding short-term overdraft facilities) are fixed-rate borrowings. Divisions are not permitted to borrow short or long term from external sources.

25. Provisions

	Warranty provision £'000	Insurance provision £'000	Total £'000
At 1 May 2019	35	201	236
Utilised	—	—	—
Additional provision	5	—	5
Released unused	—	—	—
At 30 April 2020	**40**	**201**	**241**

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

Insurance provision comprises insurance policy excesses associated with insurance claims. The Group is party to a legal claim which commenced in 2014 in connection with work performed by Van Elle Limited in 2012, as disclosed in the AIM admission document (section 15 of additional information) which is available at www.van-elle.co.uk. At 30 April 2020 the claim is still ongoing, and no settlement amounts have been agreed. The Group has a professional indemnity insurance policy in place and the claim has been referred to the Group's insurer which has confirmed that it will provide cover. Based on professional advice received the Board continues to consider it probable any potential financial impact will be limited to the excess payable pursuant to the terms of the insurance policy which has been provided for in prior years.

26. Deferred tax

	Accelerated capital allowances £'000	Short-term timing differences £'000	Share-based payments £'000	Total £'000
At 1 May 2018	971	(2)	—	969
Charge/(credit) to income statement	332	(3)	—	329
Charge to equity	—	—	—	—
At 30 April 2019	1,303	(5)	—	1,298
Charge/(credit) to income statement	277	(3)	—	274
Charge to equity	—	—	—	—
At 30 April 2020	**1,580**	**(8)**	**—**	**1,572**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 17%), being the rate at which deferred tax is expected to reverse in the future (see note 12).

The Group has £592,000 of unused tax losses that have not been recognised on the basis that it is not deemed probable that taxable profit will be available in the foreseeable future against which the difference can be utilised.

27. Share capital

	Number of shares '000	Ordinary shares £'000	Share premium £'000
Authorised			
At 1 May 2019	80,000	1,600	8,633
Issue of 26,666,650 ordinary shares of 2p each	26,667	533	—
At 30 April 2020	**106,667**	**2,133**	**8,633**

All shares are allotted, issued and fully paid.

April 2020 share placing

In April 2020, the Company incorporated a Jersey registered "cash box" company. This was used to facilitate the placing of 26,666,650 new ordinary shares of 2p each on 9 April 2020 at a placing price of 25p per share. The placing raised £6.67m and the Company received cash proceeds of £6.35m, net of expenses. The proceeds of the share issue were parcelled into the "cash box" company which was then acquired by way of a share exchange in circumstances which qualified for merger relief and so avoided the need to recognise a share premium on the share issue. The net amount booked to share capital and reserves was £6.35m, £533,000 was allocated to nominal share capital and the excess of £5.81m was recorded within other reserves in equity. All shares are fully paid up.

Share options

The maximum total number of ordinary shares which may vest in the future, in respect of conditional performance share plan awards at 30 April 2020, amounted to 4,050,453 (2019: 4,193,562). These shares will only be issued subject to satisfying certain performance criteria (note 28).

28. Share-based payments

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

The Group recognised total expenses of £116,038 (2019: £122,870) in respect of equity-settled share-based payment transactions in the year.

Long Term Incentive Plan ("LTIP")

The Group operates an LTIP for senior executives. Share options were granted on admission to AIM in October 2016. The exercise price was 2p, being the nominal value of shares. These share options lapsed on 26 October 2019 as the performance conditions were not met. Share options were granted on 16 August 2019 to senior executives. The exercise price is 2p, being the nominal value of shares. The options will vest after three years assuming continuing employment with the Company. The extent to which the options will vest is dependent upon the Company's performance over the three-year period set at the date of grant. The vesting of 50% of the awards will be determined by the Company's relative total shareholder return ("TSR") performance and the other 50% by the Company's absolute EPS performance.

Details of the maximum total number of ordinary shares, which may be issued in future periods in respect of conditional share awards at 30 April 2020, is shown below.

	2020 Number	2019 Number
At 1 May	**1,246,395**	1,030,000
Lapsed in the year	**(915,000)**	—
Granted in the year	**1,940,366**	331,395
Forfeited in the year	**(244,567)**	(115,000)
At 30 April	**2,027,194**	1,246,395

FINANCIAL STATEMENTS

28. Share-based payments continued

Long Term Incentive Plan ("LTIP") continued

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

The weighted average exercise price for all options is £0.02. Of the total number of options outstanding at 30 April 2020, none had vested or were exercisable.

The weighted average fair value of each option granted during the year was £0.38 (2019: £0.73). The weighted average remaining contractual life for share options outstanding at the balance sheet date was 110 months (2019: 96 months).

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

	2020	2019
Option pricing model used	**Monte-Carlo simulation/Black-Scholes**	Monte-Carlo simulation/Black-Scholes
Weighted average share price at grant date	**£0.41**	£0.86
Exercise price	**£0.02**	£0.02
Expected life	**3 years**	3 years
Expected volatility	**38.61%**	34.42%
Dividend yield	**4.94%**	4.46%
Risk-free interest rate (zero-coupon bonds)	**0.47%**	1.26%
Fair value of option (weighted average)	**£0.38**	£0.73

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

Company Share Ownership Plan ("CSOP")

The Group operates a CSOP scheme for certain long-serving employees with over ten years' service at the time of listing of the Company. A total of 1,014,448 options vested on 26 October 2019. The weighted average exercise price of the options vested is £1.02. No options were exercised during the year ended 30 April 2020 as the exercise price was greater than the market price. Share options were granted to key staff under the CSOP scheme on 16 August 2019. The exercise price is equal to the share price at the date of grant and there are no performance conditions attaching to the award of options, other than to remain in employment with the business for three years from date of grant.

Details of the maximum total number of ordinary shares which may be issued in future periods in respect of conditional share awards at 30 April 2020 is shown below.

	2020 Number	2019 Number
At 1 May	**1,174,448**	1,431,254
Granted – 16 August 2019	**565,000**	—
Forfeited in the year	**(180,000)**	(256,806)
At 30 April	**1,559,448**	1,174,448

The weighted average exercise price for all options is £0.81. The weighted average remaining contractual life for share options outstanding at the balance sheet date for the combined grants was 90 months (2019: 90 months).

Of the total number of options outstanding at 30 April 2020, 1,014,448 had vested or were exercisable.

The weighted average fair value of each option granted during the year was £0.81 (2019: £nil). The following information is relevant in the determination of the fair value of options granted during the year under the CSOP.

	Grant August 2019
Option pricing model used	Black-Scholes
Weighted average share price at grant date	£0.41
Exercise price	£0.41
Expected life	3 years
Expected volatility	38.61%
Dividend yield	4.94%
Risk-free interest rate (zero-coupon bonds)	0.47%
Fair value of option	£0.07

28. Share-based payments continued

Save As You Earn Plan ("SAYE")

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

Details of the maximum total number of ordinary shares, which may be issued in future periods in respect of conditional share awards at 30 April 2020, is shown below.

	2020 Number	2019 Number
At 1 May	**1,752,719**	—
Granted in the year	**—**	1,752,719
Forfeited in the year	**(408,908)**	—
At 30 April	**1,343,811**	1,752,719

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

The weighted average remaining contractual life for share options outstanding at the balance sheet date was 107 months (2019: 119 months).

The weighted average fair value of each option granted during the year was £nil (2019: £0.13). The following information is relevant in the determination of the fair value of options granted during the previous year under the SAYE.

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

29. Reserves

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

Share premium	The amount of capital contributed in excess of the nominal value of each ordinary share.
Non-controlling interest	The value of minority interests in dormant Group companies.
Other reserves	The amount of capital contributed in excess of the nominal value of each ordinary share in respect of the "cash box" share placing on 9 April 2020 net of transaction costs.
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

30. Cash generated from operations

	2020 £'000	2019 £'000
Operating profit	**(1,609)**	4,562
Adjustments for:		
Depreciation of property, plant and equipment	**4,533**	4,291
Amortisation of intangible assets	**89**	45
Impairment of investment property	**486**	—
Impairment of assets available for sale	**36**	—
Impairment of goodwill	**1,101**	—
Profit on disposal of property, plant and equipment	**(107)**	(26)
Write off of non-controlling interest	**(18)**	—
Share-based payment expense	**116**	123
Operating cash flows before movement in working capital	**4,627**	8,995
Decrease/(increase) in inventories	**180**	(317)
Decrease in trade and other receivables	**7,925**	1,666
Decrease in trade and other payables	**(4,624)**	(847)
Increase/(decrease) in provisions	**5**	(34)
Cash generated from operations	**8,113**	9,463

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

	2019 £'000	Cash flows £'000	Non-cash flows £'000	**2020 £'000**
Cash at bank	7,953	4,198	—	**12,151**
Cash in hand	44	(7)	—	**37**
Cash and cash equivalents	7,997	4,191	—	**12,188**
Bank loans secured	(975)	975	—	**—**
Other loans secured	(15)	15	—	**—**
Lease liabilities	(11,239)	5,451	(5,548)	**(11,336)**
Net funds/(debt) including IFRS 16 lease liabilities	(4,232)	10,632	(5,548)	**852**

Significant non-cash transactions include the purchase of £975,000 (2019: £1,250,181) of fixed assets on hire purchase, £3,961,000 of liabilities introduced on the adoption of IFRS 16 and £612,000 of interest expense on lease liabilities.

Cash transactions in respect of lease liabilities include interest paid on lease liabilities of £612,000 and principal paid on lease liabilities of £4,839,000.

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

32. Capital commitments

	2020 £'000	2019 £'000
Contracted but not provided for	**44**	1,317

33. Related party transactions

Details of Directors' remuneration and key management personnel remuneration are given in note 10.

Other related party transactions are as follows:

		Transaction amount		Balance owed	
Related party transaction	Type of transaction	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Dividends paid to key management personnel	Dividends received	**53**	173	**—**	—

The Group has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2020 or 2019 regarding related party debtors.

During the year, transactions with KMP included the purchase and sale of shares on an arm's length basis.

Parent company statement of financial position

As at 30 April 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments	5	**6,515**	6,399
		6,515	6,399
Current assets			
Trade and other receivables	6	**10,375**	4,035
		10,375	4,035
Total assets		**16,890**	10,434
Current liabilities			
Trade and other payables	7	**31**	31
		31	31
Net assets		**16,859**	10,403
Equity			
Share capital	9	**2,133**	1,600
Share premium	9	**8,633**	8,633
Other reserve		**5,807**	—
Retained earnings		**286**	170
Total equity		**16,859**	10,403

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year amounted to £800,000 (2019: £nil).

The financial statements were approved and authorised for issue by the Board of Directors on 19 August 2020 and were signed on its behalf by:

Graeme Campbell

Chief Financial Officer

The notes on pages 86 to 88 form part of these financial statements.

Parent company statement of changes in equity

For the year ended 30 April 2020

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2018	1,600	8,633	—	2,687	12,920
Total comprehensive income	—	—	—	—	—
Share-based payment expense	—	—	—	123	123
Dividends paid	—	—	—	(2,640)	(2,640)
Balance at 30 April 2019	1,600	8,633	—	170	10,403
Total comprehensive income	—	—	—	800	800
Share-based payment expense	—	—	—	116	116
Dividends paid	—	—	—	(800)	(800)
Issue of share capital	533	—	6,133	—	6,666
Share issue costs	—	—	(326)	—	(326)
Balance at 30 April 2020	**2,133**	**8,633**	**5,807**	**286**	**16,859**

The notes on pages 86 to 88 form part of these financial statements.

Notes to the parent company financial statements

For the year ended 30 April 2020

1. General information

These financial statements were approved and authorised for issue by the Board of Directors on 19 August 2020.

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

2. Basis of preparation

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

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

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

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

The parent company does not employ any staff.

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

3. Significant accounting policies

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

Investments

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

Receivables from Group undertakings

The Company holds intercompany loans with subsidiary undertakings which are repayable on demand. None of these loans are past due nor impaired. The carrying value of these loans approximates their fair value.

Dividends received

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

4. Critical accounting estimates and judgements

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

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

Carrying value of investments

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

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

5. Investments

	2020 £'000	2019 £'000
Cost		
At 30 April	**6,515**	6,399

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

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

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

6. Trade and other receivables

	2020 £'000	2019 £'000
Receivables from related parties	**—**	—
Receivables from Group undertakings	**10,375**	4,035
Financial assets classified as loans and receivables	**10,375**	4,035
Prepayments	**—**	—
Other receivables	**—**	—
	10,375	4,035

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

7. Trade and other payables

	2020 £'000	2019 £'000
Other payables	**31**	31
Accruals	**—**	—
Amounts owed to Group undertakings	**—**	—
Financial liabilities measured at amortised cost	**31**	31
Tax and social security payments	**—**	—
Deferred income	**—**	—
	31	31

8. Financial instruments and risk management

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

Financial instruments by category

	Amortised cost	
	2020 £'000	2019 £'000
Financial assets		
Trade and other receivables	**10,375**	4,035
Total financial assets	**10,375**	4,035

Notes to the parent company financial statements continued

For the year ended 30 April 2020

8. Financial instruments and risk management continued

Financial instruments by category continued

	Amortised cost	
	2020 £'000	2019 £'000
Current financial liabilities		
Trade and other payables	**31**	31
Total financial liabilities	**31**	31

Financial risk management

The Company's objectives when managing finance and capital are detailed in note 24 of the consolidated financial statements.

9. Share capital

Authorised	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 1 May 2019	80,000	1,600	8,633
Issue of 26,666,650 ordinary shares of 2p each	26,667	533	—
At 30 April 2020	**106,667**	**2,133**	**8,633**

All shares are allotted, issued and fully paid.

The details of the movements in share capital are disclosed in note 27 of the consolidated financial statements.

10. Share-based payments

For detailed disclosures of share-based payments granted to employees refer to note 28 of the consolidated financial statements.

11. Reserves

The nature and purpose of each reserve is provided in note 29 of the consolidated financial statements.

12. Related parties

Related party income and expenditure comprise dividends receivable from its subsidiary undertaking, Van Elle Limited, and adjustments for group relief. No other income or expenditure is recognised in the Company accounts and any costs incidental to its operation are borne by Van Elle Limited. The remuneration of the Board, who are the key management personnel of the Company and therefore related parties of the Group, is set out in the remuneration report on page 48.

The Company does not maintain a separate bank account and instead maintains an intercompany balance with its subsidiary undertaking in respect of internal funding. The amount outstanding from Van Elle Limited at 30 April 2020 was £10,375,000 (2019: £4,035,000).

13. Ultimate controlling party

The Company does not have an ultimate controlling party.

Shareholder information

Annual General Meeting
The Annual General Meeting ("AGM") will be held on 28 September 2020 at Southwell Lane Industrial Estate, Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG17 8GJ.

Shareholders will be asked to approve the Directors' remuneration report and the election of all new Directors appointed in the financial year. Shareholders will also be asked to receive and adopt the accounts of the Company for the year ending 30 April 2020, together with the reports of the Directors and of the auditor thereon and to reappoint the auditor of the Company (and authorise the Directors to approve the remuneration of the auditor).

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

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

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

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

Corporate information

Registered office and advisers

Directors
Adrian Barden (Non-Executive Chairman)
Mark Cutler (Chief Executive Officer)
Paul Pearson (Chief Financial Officer)
(resigned 31 October 2019)
Robin Williams (Senior Independent Director)
David Hurcomb (Non-Executive Director)
Charles St John (Non-Executive Director)
(appointed 25 February 2020)
Graeme Campbell (Chief Financial Officer)
(appointed 25 February 2020)

Group Company Secretary
Mark Cutler (Chief Executive Officer)
Graeme Campbell (Chief Financial Officer)
(appointed 25 February 2020)

Registered office
Southwell Lane Industrial Estate
Summit Close
Kirkby-in-Ashfield
Nottinghamshire
NG17 8GJ

Company registered number
04720018

Nominated adviser and broker
Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Solicitors
Eversheds Sutherland (International) LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Registered auditor
BDO LLP Nottingham
Regent House
Clinton Avenue
Nottingham
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Link Asset Services
The Registry
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Beckenham
Kent
BR3 4TU

Banker
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Butt Dyke House
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Stay up to date with the latest news and announcements on our new website:

WWW.VAN-ELLE.CO.UK