



TOTAL FOUNDATION SOLUTIONS

Van Elle Holdings plc
Annual report and accounts 2021

The UK's largest ground engineering contractor

Right across the UK, communities are living, learning and working within buildings and travelling on infrastructure whose foundation solutions were developed and safely installed by Van Elle.

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



Investment case

With a clear strategy for growth, well invested resource and attractive markets, Van Elle is a compelling investment case.

▶ Read more on page 4



Strategic direction

Despite the uncertainties caused by COVID-19 the Group continued to make good progress in the delivery of its strategic plan.

▶ Read more on page 21

Our goals – Developing trusted partnerships, and deploying the best people and assets through perfect delivery of projects.



Business model

We provide a differentiated end to end service, from ground investigation through to integrated specialist foundation solutions, across multiple market sectors.

▶ Read more on page 18



Chief Executive Officer's review

The Group demonstrated resilience as market conditions started to recover from the global pandemic and Brexit uncertainty.

▶ Read more on page 10

Strategic report

- 1 Highlights
- 2 Our business at a glance
- 4 Investment case
- 6 Our year in brief
- 8 Chair's statement
- 10 Chief Executive Officer's review
- 16 Market overview
- 18 Business model
- 20 Innovation
- 21 Strategic direction
- 25 Operational review
 - 25 General Piling
 - 27 Specialist Piling and Rail
 - 29 Ground Engineering Services
- 32 Corporate social responsibility
- 38 Engaging with our stakeholders
- 41 Risk management and principal risks
- 46 Key performance indicators
- 48 Financial review

Corporate governance

- 52 Board of Directors
- 53 Corporate governance statement
- 56 Audit and Risk Committee report
- 59 Nomination Committee report
- 60 Remuneration Committee report
- 62 Directors' remuneration policy
- 65 Annual report on remuneration
- 67 Directors' report
- 68 Statement of Directors' responsibilities
- 69 Independent auditor's report

Financial statements

- 76 Consolidated statement of comprehensive income
- 77 Consolidated statement of financial position
- 78 Consolidated statement of cash flows
- 79 Consolidated statement of changes in equity
- 80 Notes to the consolidated financial statements
- 105 Parent company statement of financial position
- 105 Parent company statement of changes in equity
- 106 Notes to the parent company financial statements
- 109 Shareholder information
- 109 Corporate information

Highlights

Operational highlights

- Activity during the first quarter significantly impacted by COVID-19
- Timely actions in response to the pandemic to protect cash resources, reduce cost and safeguard employees
- Steady recovery in markets following the first quarter
- Continued progress against strategic objectives despite the global pandemic
- Renewal of debt facilities in October 2020 resulting in available facility of up to £11m
- Continued to invest in rigs to support high demand areas
- Acquisition of ScrewFast Foundations Limited in April 2021

Financial highlights

Revenue
(£m)

£84.4m

+0.0%



Underlying operating (loss)/profit
(£m)*

£(0.6)m

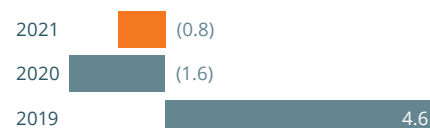
-100.0%



Operating (loss)/profit
(£m)

£(0.8)m

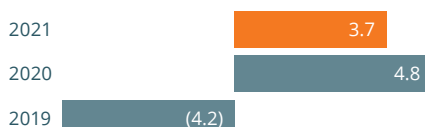
+50.2%



Net funds/(debt)
(£m)**

£3.7m

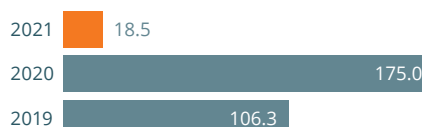
-25.7%



Operating cash conversion
(%)

18.5%

-89.4%



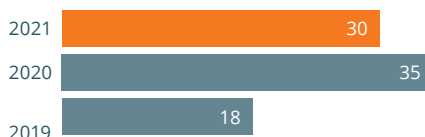
* Underlying measures exclude share-based payments and other non-underlying items.

** Net funds excluding IFRS 16 property and vehicle lease liabilities.

Non-financial highlights

Apprentices and trainees
(Number)

30



Employee engagement score
(%)

73%



Integrated capabilities

Our reputation in core ground engineering is built on a strong foundation of technical expertise, innovation and value-engineered solutions, which we strive to deliver safely for our customers and the communities we serve.

1. Delivering service solutions across three key markets

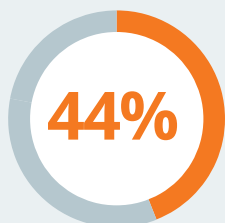
**Residential**



Full range of services for housebuilders ranging from ground investigation, ground improvement and ground stabilisation alongside driven and continuous flight auger (CFA) piles complimented by Smartfoot precast modular beam foundations.

Revenue
£37.3m
-10% growth in year

Revenue share



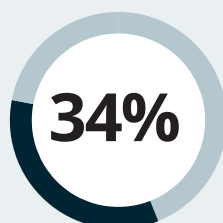
**Infrastructure**



A full range of geotechnical services to the highways, rail, power and utility sectors including market leading on-track capabilities.

Revenue
£28.5m
+19% growth in year

Revenue share



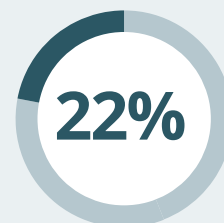
**Regional construction**



Foundation solutions for the commercial and industrial building markets including city centre specialisms and ground improvement and piling capabilities to the logistics sector.

Revenue
£18.5m
-1% growth in year

Revenue share



Our 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



2. Delivering foundation solutions across dedicated operating segments

General Piling



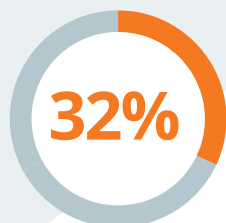
Open site piling solutions including larger CFA, rotary and driven piling projects.

Revenue

£27.3m

-6% growth in year

Revenue share



Specialist Piling and Rail



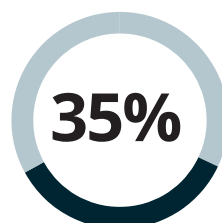
Providing a range of piling and geotechnical solutions in operationally challenging environments.

Revenue

£29.3m

+16% growth in year

Revenue share



Ground Engineering Services



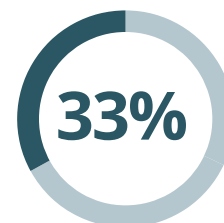
Offering a range of ground investigation expertise and modular foundation solutions.

Revenue

£27.6m

-7% growth in year

Revenue share



A compelling investment case

Six reasons to invest

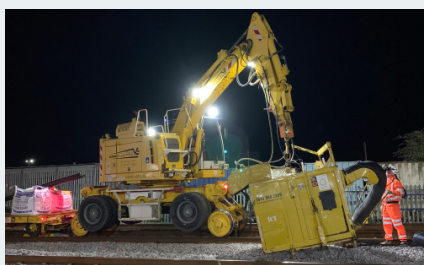
1



A leading UK player

- The UK's largest ground engineering contractor
- Widest breadth of over 25 techniques
- Over 1000 projects per annum

2



Differentiated offering

- Full end-to-end capability from ground investigation to design, construction and testing
- Broad array of complex and complimentary techniques
- Diverse customer base with high levels of repeat business

3



Attractive markets

- Track record and ability to operate in a diverse range of UK growth markets
- Balanced presence in housebuilding, infrastructure and construction markets
- Diverse and maturing customer base

4



Well invested and resourced

- The UK's largest and best invested rig fleet covering over 25 specialist ground engineering techniques
- Over 5% of employees under a formal training programme
- Highly skilled, specialist workforce of over 500 employees

5



Strong financial position

- Track record of high levels of cash conversion
- Stable cash position whilst reducing existing debt
- Access to £11m facility to support future growth
- Positive recovery in revenues and profits post COVID-19

6



Clear strategy for growth

- Target market share gain
- Focus on margin improvement and customer development
- New products, services and geographic locations
- Accelerate growth with targeted bolt-on acquisitions

2020



May

- Our largest ever single Smartfoot installation in Bingley, Yorkshire, for a McCarthy and Stone retirement home development
- Upgrade works on the M6 Junction 10 for Highways England



June

- Rotary piling in construction of the A4440 Worcester Southern Link Road improvement scheme
- International Women in Engineering Day celebrated



July

- Piling commences at Bristol Temple Meads station
- Strata start work on the M42 Junction 6 improvement scheme



August

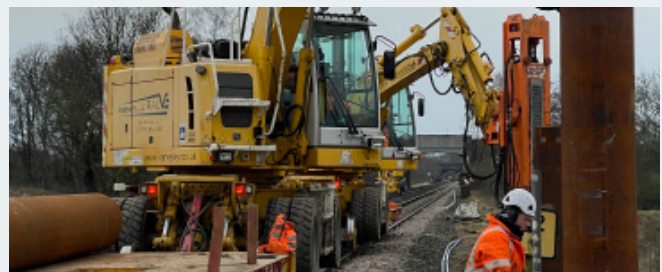
- Rail and Strata started on the Midland Main Line electrification project between Kettering and Market Harborough
- Vibro piling undertaken on the Sunderland Strategic Transport Corridor
- Brandon Ferreira appointed as Business Development Director

2021



January

- Rail and Strata responded to emergency works at Newington, Kent, for Network Rail
- Works began beneath Grade II listed railway arches for the mixed residential and commercial Viadux project, Manchester
- David Buckley joins as Rail Director and Andy Appleton as Sheet Piling Director



February

- The Rail division completes its first HS2 interface scheme at Curdworth, Warwickshire
- Our 30 apprentices and trainees celebrated during National Apprentice Week
- Andy Riggott joined the Company as Commercial Director



September

- Our first rigid inclusion project at the former Grangemouth Refinery regeneration scheme
- Specialist Piling, Rail and Strata divisions shortlisted for a trio of Ground Engineering Awards
- Frank Nelson appointed as Non-Executive Chair



October

- 12,000 linear metres of Smartfoot ground beams installed in Liverpool for David Wilson Homes and Barrett Homes
- First vibro contract on HS2 commences



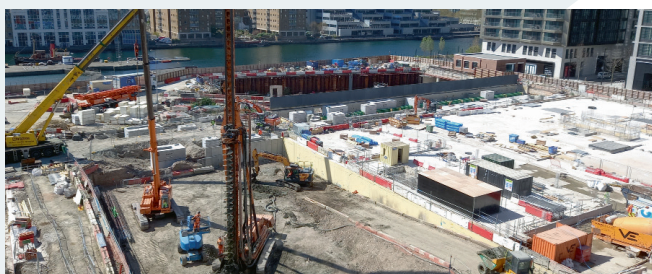
November

- First Coal Authority ground investigation framework project for Strata near Stonehenge
- Gavin Savage was appointed as Regional Manager for Scotland



December

- Second annual People Awards; the overall winner being the M27 Smart Motorway team
- Strata awarded its first contract on the Highways England GI Framework



March

- Deepest CFA piles in Canary Wharf's 30-year history installed
- Four new rigs, including the UK's first Comacchio 450 Rotary Sonic drilling rig, joined the fleet
- Maintained Investors in People Silver accreditation



April

- Acquisition of ScrewFast Foundations announced
- Completion of the M27 SMP project for BAM Nuttall and Morgan Sindall joint venture
- First in a series of decarbonisation projects to electrify Scottish rail lines begins at Carstairs

Focused on strategic actions in a challenging year



Highlights

- Quarter 1 performance significantly impacted by the COVID-19 global pandemic
- Subsequent steady recovery in our end markets
- Continued progress on strategic plan despite the disruption including the acquisition of ScrewFast Foundations Limited
- Maintained a programme of selective rig investment

Overview

The Group's financial performance was heavily impacted by the COVID-19 pandemic, particularly in the first quarter when trading activity was significantly below pre-COVID-19 levels as a result of a shutdown of activity at a number of customer sites. Since quarter one there has been a steady recovery in our end markets. Working practices were quickly adapted to comply with government advice and industry guidance, allowing the Group to deliver contract works safely and productively.

The subsequent national lockdowns announced in November 2020 and January 2021 had a less significant impact on the Group and its markets as construction activity was able to continue. The uncertainty, however, impacted customer short-term decision making.

The Group took swift and decisive actions to protect the business, its employees and its customers throughout the period of the pandemic, and remains well placed to take full advantage of growth opportunities as market recovery continues.

Revenue for the year to 30 April 2021 was £84.4m, consistent with the preceding year, despite a challenging first quarter. The resulting underlying operating loss was £0.6m (2020 loss: £0.3m).

Despite the uncertainties caused by COVID-19, the Group continued to make good progress in the delivery of its strategic plan, focused on improving operational performance and establishing strong market positions for future growth. Significant progress continues to be made on improving engagement with strategic customers, fostering an enhanced commercial and business development focus, and strengthening performance review and commercial processes across the business.

Capital structure and 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. In October 2020, the Group secured up to £11m of asset-backed lending facilities on a revolving basis over four years, with security agreed against the Group's receivables and certain tangible assets. The facilities remain undrawn to date. This, alongside the capital raise in April 2020, provides significant headroom for growth.

On 1 April 2021, the Group acquired ScrewFast Foundations Limited, an innovative helical pile design, fabrication and installation business. The acquisition strengthens the Group's position in growth markets of infrastructure and housing as well as providing access to new markets in the power and telecoms sectors. The helical pile solution complements Van Elle's existing breadth of capabilities, capturing more of the value chain through providing modular forms of construction. Full details of the structure of the consideration paid is included in the Financial Review.

The Group continues to invest in its rig fleet, maintaining and upgrading existing rigs and acquiring new modern rigs that are capable of delivering a broad range of services efficiently and which are at the forefront of piling technology. Capital expenditure on rig fleet expansion will continue to be considered on a selective basis where a compelling investment case exists.

Dividend

The period of disruption caused by COVID-19 and the resulting need to manage cash resources has resulted in no dividend being paid to shareholders during the year. The Board has not proposed a final dividend in respect of the financial year.

The Board recognises the importance of dividends to shareholders and the creation of shareholder value and expects to reinstate an appropriate dividend during the course of the FY22 financial year, as market recovery is expected to continue.

People

During the year the appointments of a Commercial Director and Rail Director has brought significant industry experience to the leadership team. The acquisition of ScrewFast has also brought with it a strong management team. These appointments ensure we have the optimal mix of experience and capability to deliver the Group's strategic objectives. We have worked hard to bring together a team that has the right combination of experience to enable us to deliver on our vision and strategy.

Van Elle remains a market-leading business with an outstanding group of employees. My thanks go to all employees for their resilience and commitment during a period which has had such a significant impact on our industry and wider society.

Board and governance

I joined the Board on 1 July 2020 as Non-Executive Director and Chair designate and assumed the role of Chair following the release of the previous year's results in August 2020, at which point the previous Non-Executive Director and Chair, Adrian Barden, retired from his position. I also assumed the role of Chair of the Nomination Committee in August 2020.

Robin Williams, Senior Independent Non-Executive Director, also stepped down from the Board in August 2020, at which point Charles St John, Non-Executive Director, took over as Chair of the Audit and Risk Committee.

On behalf of the Board, I would like to thank Adrian 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 Corporate Governance Code, complemented with other suitable governance measures appropriate for a company of our size.

Outlook

Many of the Group's end markets have shown a sustained level of post-COVID-19 recovery during the year. We are currently experiencing some current supply chain challenges, particularly with regard to cement, concrete and steel pricing and availability. There has also been an impact on employee availability, where our people have been required to self-isolate by the NHS test and trace app.

Despite these challenges, the Board remains optimistic that significant opportunities exist across our broad end markets of residential, infrastructure and regional construction, much of which remain well-funded and/or are underpinned by long-term structural growth dynamics.

Frank Nelson

Non-Executive Chair

16 August 2021

"The acquisition of ScrewFast strengthens the Group's position in growth markets of infrastructure and housing."

Maintaining resilience for sustainable growth



Highlights

- Activity during the first quarter significantly impacted by COVID-19
- Timely actions in response to the pandemic to protect cash resources, reduce cost and safeguard employees
- Steady recovery in markets following the first quarter
- Continued progress against strategic objectives despite the global pandemic
- Renewal of debt facilities in October 2020 resulting in available debt facility of up to £11m
- Continued to invest in rigs to support high demand areas
- Acquisition of ScrewFast Foundations Limited in April 2021

Overview

In a very challenging year for the construction sector generally, the Group demonstrated its resilience as market conditions started to recover from the global pandemic and Brexit uncertainty. Full year revenue was consistent with the prior year (in which the fourth quarter was impacted by the start of the pandemic) at £84.4m and the Group reported a modest underlying operating loss of £0.6m (FY20 underlying operating loss: £0.3m).

Activity during the first quarter was significantly impacted by COVID-19, with revenues for the first three months being approximately £10m below pre-pandemic levels. Activity levels steadily recovered during the second quarter, with revenues in September and October 2020 returning to pre-pandemic levels, resulting in the Group returning to profitable trading in these months.

However, some market volatility returned in the third quarter, with further lockdowns and Brexit uncertainty impacting investment decisions and contract start dates. Normal seasonal factors also impacted our activities due to poor weather conditions during the winter months.

There was a strong recovery across the construction market in the final quarter, with most divisions operating at near capacity by the end of the financial year. This momentum has continued into FY22, whilst noting that activity in the Rail division has remained subdued ahead of anticipated recovery in the second half of FY22.

We remain optimistic about future growth opportunities in the rail sector, as procurement activity in Network Rail's CP6 investment programme and future rail electrification programmes has progressed positively.

Whilst the year was heavily impacted by the COVID-19 pandemic, the financial result reflects the immediate actions which were taken to mitigate many of the challenges faced by the Group during this period.

We took appropriate measures to strengthen our balance sheet, including further reductions to outstanding hire purchase debt and maintained a stable cash position following the placing in April 2020. The Group also announced a refinancing of existing debt facilities in October 2020 and subsequently can access a debt facility of up to £11m, which remains undrawn.

The Group has also continued to make progress against its strategy which was announced at the end of FY19. The senior leadership team has been strengthened further with the appointment of Andy Riggott as Group Commercial Director which has improved our commercial expertise, governance and risk management. We also recruited David Buckley to lead the Rail division, in anticipation of growth opportunities in the sector.

On 1 April 2021, we announced the acquisition of ScrewFast Foundations Limited for initial consideration of £1.7m, funded from existing cash resources, with deferred consideration of up to £2.0m payable over the next 2 years, an element of which is linked to performance. The acquisition will improve our market position and further diversify the Group's Specialist Piling services. In addition to the commercial opportunities that are created by the acquisition, we were pleased that the entire management team led by Dan Dye, Managing Director, joined the Van Elle Group. The integration of ScrewFast into the Group is progressing well.

Health and safety of our employees and contractors is a top priority for management, both in normal working environments, and also in respect of the ongoing COVID-19 pandemic. Unfortunately, a tragic accident occurred in January 2021, when one of our rigs suffered an unexpected failure when de-rigging, resulting in the fatality to a sub-contracted haulier. Comprehensive reviews were performed, including an independent external review of our health and safety systems and processes.

Efficiencies and cost reductions continue to be explored and in April 2021 a freehold property held by the Group in Norfolk was sold for £0.7m which was consistent with its book value. This followed the full co-location of all employees at our main site in Kirkby-in-Ashfield in FY20.

Our focus on staff engagement and retention has continued throughout the year, following the appointment of a new human resources team in 2020. Delivery of our people strategy is ongoing and is starting to be reflected in retention rates and improved engagement survey results. We are nearing the completion of the replacement of our HR system, a project which commenced in January 2021.

Our supplier payment performance has improved significantly over the period and we are pleased to sit within the upper quartile of industry league tables for payment of suppliers within agreed terms.

COVID-19 government assistance

As at 30 April 2021, the Group has no amounts owing to HMRC for liabilities which had been deferred under 'time to pay' arrangements.

The Group made claims of £1.7m under the government's Job Retention Scheme (JRS) during the year. With the recovery of activity levels in our core markets towards the end of the financial year, we are pleased to report that there were no employees furloughed at the year-end and no claims under the JRS have been made since the start of FY22.

ESG

In late FY2021 the Group launched its sustainability strategy. This work is starting to yield benefits in terms of employee engagement, delivery of social value projects around the UK and reduced carbon design and delivery innovations.

Strategic approach

We have made continued progress against the strategy, which was announced at the end of FY19, and is summarised below:

Phase 1: Stabilising and improving performance

Simplifying the Group structure, improving leadership capability, strengthening commercial capability, cost reduction and efficiency improvements, safety and asset utilisation performance, and employee engagement activities.

Phase 2: Developing foundations for growth

Developing clear strategic plans for our core sectors of housing, infrastructure and regional construction, improving customer relationships and tendering activity, maximising our integrated solutions offering, broadening our range of products and services, and strengthening our balance sheet.



Chief Executive Officer's review continued

Strategic approach continued

Phase 3: Establishing market leadership

Sustainable, profitable growth as the Group benefits from strategic actions taken in phases 1 and 2 and capitalises on opportunities presented by construction market recovery, with medium-term objectives set in FY20 being: revenue growth of 5–10% per annum, underlying operating margins of 7–8% and a return on capital employed of 15–20%.

During FY21, the Group launched its updated Vision, Mission and Values and despite the challenges faced by the Group from the COVID-19 pandemic, which has impacted activities across all divisions, we have continued to make progress against our strategic targets.

Key highlights include:

- The appointment of a Group Commercial Director which has strengthened commercial activities and improved governance and risk management.
- Reviewed investment in the rig fleet to ensure that investment is committed in high-demand sectors and under-utilised rigs are disposed of.
- Cost reduction through further rationalisation of the Group's property footprint. Following the full co-location of personnel at our main site in Kirkby-in-Ashfield in the prior year, our freehold property in Norfolk was sold during the fourth quarter.
- Our annual employee engagement survey reported increased scores across several indicators and is used to drive actions across the Group as we continue to focus on development and engagement of our employees.
- We have continued to reduce hire purchase debt, with all capital expenditure being funded from cash reserves. Hire purchased debt at the end of the year was £4.0m, down from £7.4m at the end of the last financial year. In addition, the refinancing of the Group's debt facilities was completed in October 2020, with an asset-based lending facility of up to £11m established, which remains undrawn.
- The acquisition of ScrewFast Foundations Limited in April 2021 broadens our market position in the highways, power and rail sectors and further diversifies the Group's Specialist Piling and modular foundation services. The acquisition provides the Group with a helical pile solution which complements Van Elle's existing breadth of capabilities, capturing more of the value chain.

Markets

COVID-19 had a significant impact across all market sectors in the financial year. Further market uncertainty caused by Brexit resulted in some additional volatility across our end markets. Despite these challenges, the Group's markets continue to offer considerable long-term opportunity to support the delivery of our strategic objectives.

The Group operates in the following three market segments:

- **Residential** constitutes approximately 45% of Group revenues, including private and social housebuilding and larger residential developments.

The residential market was heavily impacted by the COVID-19 pandemic, with housebuilders closing all sites during the first national lockdown. The market subsequently recovered steadily, with activity levels returning to normal throughout the second half of the financial year. Customer demand in the final quarter was very strong, with the Housing division operating at near capacity levels.

The sector continues to offer growth opportunities, both in private housing and larger scale residential and retirement sectors. New housebuilding activity levels have proved resilient throughout the second half of the financial year and demand continues to be very strong. We are confident that our modular foundation system, Smartfoot, will continue to be popular with both traditional housebuilders and emerging modular housebuilders, due to the benefits of reduced time, certainty of supply and cost and much reduced on-site resource levels.

- **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.

In highways, the Group successfully delivered schemes under both local authority frameworks, Highways England's regional delivery programme and its smart motorway's programme during the year. The Group helped to deliver five separate smart motorway projects and through the acquisition of ScrewFast has extended its footprint and further consolidated its market-leading position. Looking forward, Highways England's Smart Motorways Alliance, a 10-year collaborative partnership to deliver the future Smart Motorways work bank and for which we are bidding for a partnership role, is expected to support further progress in this sector.

The commencement of works on High Speed 2 offers considerable medium-term opportunities for the Group with several projects secured in the period targeted pipeline of current prospects valued at approximately £120m to the Group, albeit several are subject to delay at this early stage of the programme as construction delivery schedules are finalised.

The Group's activities in the Rail sector over the period have been mixed. In our Specialist Piling division, we commenced our 170th rail station project in the period, successfully delivering several high-profile station schemes for strategic customers on both Network Rail and regional transport authority funded schemes. On-track works, delivered through our Rail division, have remained subdued but we remain optimistic of a return to normal levels of revenue in the second half of FY22 and into FY23 as we have greater clarity of CP6 work banks including new electrification schemes under-pinned by the Government's recently announced strategy to prioritise electrification projects and remove diesel-only trains by 2040. We have also continued to diversify our services which were previously heavily dependent on electrification programmes. During the period the Group has partly mitigated the impact of low Rail fleet utilisation by redeploying resources within the Group to ensure the retention of all key resources.

The Group is also developing positive market positions in the power sector where it regularly works on substation and power infrastructure projects across National Grid and regional distribution networks, again further strengthened by the ScrewFast acquisition.

- **Regional construction** includes the general private and public sector building and developer-led markets across the UK.

The regional construction market has remained volatile and highly competitive as a result of COVID-19 and Brexit impacts on investment decisions and build programmes. Despite this we have continued to secure and deliver several good quality projects whilst also continuing to focus on contract execution and commercial improvement in our General Piling division which has supported further margin improvement compared to last year. Of particular note is the buoyancy in the industrial warehousing sector which continues to provide significant opportunities for the Group's expanded range of integrated services, including ground improvement and rigid inclusion techniques developed in FY20 as well as its precast concrete piling operations which have operated at capacity since the third quarter of FY21. Looking forward we anticipate the regional construction sector will remain competitive, but with improving activity levels as the market continues its recovery post-COVID-19 and further capacity is taken by HS2 works.

Operating structure

Our operational Group structure has remained consistent and is reported in three segments. The acquisition of ScrewFast Foundations Limited is reported within the Specialist Piling and Rail segment, from April 2021.

- **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; helical piling and steel modular foundations (trading as ScrewFast Foundations); smaller rigs and engineering techniques, including soil nails, anchors, mini-piling and ground stabilisation projects.
- **Ground Engineering Services:** modular foundation solutions (e.g. Smartfoot); ground improvement (vibro) and geotechnical services (trading as Strata Geotechnics).

Rig fleet

The market uncertainty caused by the COVID-19 pandemic resulted in immediate action being taken to minimise capital expenditure during the first half of the financial year. All capital spend during this period was restricted to sustaining operational activity only. As activity levels recovered during the second half of the financial year, certain divisions experienced an increase in workload with improving demand and a positive pipeline of future activity, resulting in some divisions operating at near capacity in the final quarter of the financial year. Where there is high confidence in a division's forward orders and forecast ROCE exceeds our medium-term strategic target of 15–20%, we have contracted to acquire new rigs either for growth opportunities or



to replace ageing rigs which we dispose of. Total capital spend of £2.4m for new rigs was committed in the second half, with £1.4m paid from cash reserves before the year end. After low capital expenditure levels in the prior year and during the initial impact of COVID-19, we remain committed to owning and maintaining a market-leading modern rig fleet.

The total fleet size at the year end was 115, down from 118 last year, reflecting the capital spend noted above, 7 additional rigs added to the fleet from the acquisition of ScrewFast, offset by the disposal of several older or under-utilised rigs.

Summary and outlook

Further progress has been made in delivering the Group's strategy which is delivering positive impacts across many areas of the business including operational delivery, employee engagement, governance and risk management, and both commercial and financial performance.

The acquisition of ScrewFast on 1 April 2021, being the Group's first acquisition since IPO, has further strengthened the Group's position in the Specialist Piling and modular foundations segment, particularly across infrastructure growth markets. The integration of ScrewFast into the wider Group is progressing well as our teams work more closely together, providing greater opportunity for cross-selling our products and services.

Chief Executive Officer's review continued

Summary and outlook continued

The balance sheet remains strong with debt reduced further in the year, a stable cash position and an undrawn debt facility available. Capital expenditure and the initial consideration for the acquisition of ScrewFast have been funded from cash resources.

We look forward to further opportunities in the Smart Motorways sector and see continued growth in the Highways England wider RIS2 delivery programme. We are also encouraged by an increased level of tendering activity in the Rail division during 2021 including the anticipated investment in further electrification of the UK rail network.

The Group is experiencing some challenges from widely publicised supply chain issues, particularly with regard to cement, concrete and steel pricing and availability. Raw material price increases are being adjusted in contract tenders, but contract margins could be impacted if the availability and price volatility continues. There has also been some impact on short term employee availability, where our people have been required to self-isolate by the NHS test and trace app.

Our core markets have seen a strong recovery in the final quarter of the financial year with all divisions, except Rail, operating at near capacity by the year end. This recovery in activity levels has continued into the first quarter of FY22 with the Group trading profitably during this period. The Group also has a healthy order book and a growing pipeline of tendering activity.

We are optimistic that the current levels of demand will be sustained in FY22 and, assuming the supply chain and labour challenges do not materially worsen, the Board anticipates trading for the full year to be in line with market expectations.

Mark Cutler
Chief Executive Officer
16 August 2021

“The Group demonstrated its resilience as market conditions started to recover from the global pandemic and Brexit uncertainty.”

“Maintaining confidence within our markets of residential, infrastructure and regional construction.”

Within this section

- 16 Market overview
- 18 Business model
- 20 Innovation
- 21 Strategic direction



Construction industry recovery continues to gather momentum

We continue to focus our activities across a broad range of markets within the construction industry targeting the areas of residential and infrastructure where rapid 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 declined in the calendar year 2020 by 12.5% due to the disruption caused by COVID-19 restrictions. Q2 of 2020 was significantly impacted by the downturn in the wider construction market whilst Q3 showed encouraging recovery in trading as restrictions eased.

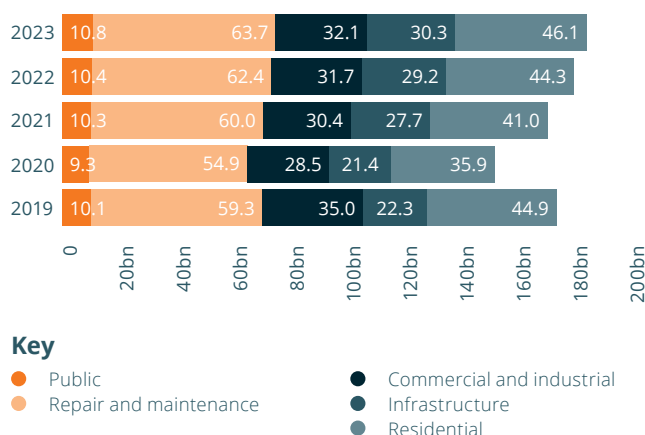
Construction activity continued largely unhindered throughout the first quarter of 2021 with the whole supply chain permitted to operate.

Confidence is returning to UK construction as restrictions are lifted and the conditions for investment are good. Capacity constraints, particularly with regard to the availability of materials and labour, do present a challenge.

Construction activity is largely back to pre-COVID-19 levels. Spring 2021 sees the UK gradually exiting its third national lockdown. Output is anticipated to rise by 12.9% in 2021 driven by growth in infrastructure, public housing repair, maintenance and improvement and industrial. With further growth of 5.2% predicted in construction output for 2022, activity is expected to surpass 2019's level next year.

Infrastructure is set to be the key driver for the remainder of 2021. Output is forecast to rise significantly over the next two years, boosted by activity on major projects such as HS2 offsetting delays in long-term frameworks in regulated sectors such as water, rail, roads, power and broadband.

Construction output



Source: Construction Products Association – Construction Industry Forecasts 2021 – 2023, Spring 2021 Edition

Outlook

In spring 2021, the Construction Products Association ("CPA") published two scenarios of UK construction output rather than its usual annual forecast, because of unprecedented circumstances due to the impact of COVID-19.

The upper scenario predicts economic activity to recover rapidly after Q1 2021 with output expected to grow by 12.9% during 2021 driven by infrastructure, public housing repair, maintenance and improvement and industrial. Even though recovery has been swift since May 2020, it will be next year before the construction industry recovers and returns to 2019 levels. Infrastructure is set to be the key driver of growth rising 21% in 2021, exceeding pre-COVID-19 levels due to main works ramping up on existing large-scale projects.

Highlights

Highlights from the CPA Construction Industry Forecasts 2021 – 2023, Spring 2021 Edition:

- Construction output to rise 12.9% in 2021 and 5.2% in 2022.
- Infrastructure output to rise 29.3% in 2021 and 5.9% in 2022.
- Private housing output to rise 14.0% in 2021.
- Commercial output at the end of 2023 still expected to be 10.5% lower than in 2019, pre-COVID-19.
- Private housing repair, maintenance and improvement to grow by 12.0% in 2021.
- Public housing repair, maintenance and improvement to rise by 15.0% in 2021.



Residential (private)



The residential market contracted sharply in Q2 of 2020 due to a period of reduced construction activity through COVID-19. In Q3/4 of 2020, housebuilders focused on completions rather than starts to progress transactions and increased buyer activity during the stamp duty holiday.

The extension of the stamp duty holiday beyond 31 March 2021 means that the withdrawal of this support will now occur when the economic recovery is more developed, reducing concern over a drop-off in demand. Coupled with expectations of rising house prices during the year, this is expected to lead to an acceleration in starts activity, gathering pace into 2022. Output is expected to rise by 15% in 2021 with further anticipated increases of 9% in 2022 and 2% in 2023.

Our response

The first quarter of FY21 was significantly impacted by the first COVID-19 lockdown restrictions. Activity increased as social distancing measures were implemented and better understood. Despite the disruption the residential sector continues to lead the Group's revenues in FY21.

Our focus in this sector is on expanding our Smartfoot and associated modular offering in line with the government's modular construction initiative. We will achieve this by securing framework partner status with the top ten housebuilders across the UK and working collaboratively in developing innovative modular solutions, incorporating a broader range of our geotechnical techniques such as vibro, rigid inclusions and helical piles.

UK market
2020

-20.1%

Van Elle
2020/21

-9.7%



Infrastructure



Infrastructure output is expected to rise by 29.3% in 2021, playing a key role in recovery of the construction industry and UK economy. Looking ahead, output growth is then forecast to slow down to 5.9% in 2022 and 3.6% in 2023, remaining at historically high levels.

The near-term outlook for the rail sub-sector has been downgraded, due to slower than expected progress on HS2 Phase 1 ramping up in 2022. CP6 total budget for enhancements has been cut to £9.4bn and funding is expected to cover schemes that have been deferred from CP5 first. Tfl is expected to remain financially constrained in the near term due to the fall in passenger numbers.

Roads output growth is forecast to increase to 7.9% in 2021 driven by an increase in activity during Highways England's second Road Period ("RP2"), underpinned by work on smart motorway schemes. Looking ahead, output is forecast to increase by 3.3% in 2022 and a further 7.0% in 2023 as further road schemes enter the pipeline.

Our response

The new year involved increased and sustainable activity within highways, with the Group active on several smart motorway projects and further strong prospects ahead in FY22 and beyond. Enhancement projects within CP6 are slowly coming online after a continued delayed start in FY21.

Our focus in this sector is to secure strategic partner status through frameworks with the Smart Motorways Alliance and repeat custom in the RP2 programme of works.

UK market
2020

-3.9%

Van Elle
2020/21

+18.7%



Regional construction



Retail, accommodation, leisure and entertainment sectors have been hardest hit by COVID-19. Investment in new commercial offices, retail and hotels continues to be adversely affected by a decline in consumer and business confidence. Recovery is expected to be slow in 2021 and 2022; commercial output is forecast to rise by 6.1% in 2021 and 4.9% in 2022.

Universities' capital spending programmes and developer-led student accommodation projects are expected to filter through into a mild pickup in construction activity over the next 12-24 months as university applications have risen by 8.5%.

The industrial sector is expected to grow by 18.7% in 2021 and 8.5% in 2022, driven by demand for warehouse and distribution space accelerated by a shift towards online retail.

Our response

In regional construction the market remains highly competitive as Brexit uncertainty and COVID-19 have impacted developer confidence and major competitors have been impacted by continued delays to the start of HS2 during FY21.

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 the logistics sector and strengthen our regional presence in the north west, midlands, and south east.

UK market
2020

-18.3%

Van Elle
2020/21

-1.3%


A focus 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 customers. Whilst the contractor relationships and construction processes vary significantly from project to project, ensuring work is completed safely, to a high quality and efficiently is critical for our customers in providing a sound platform for the remaining work on a project.

Working across the construction spectrum, the majority of our projects are of short duration with an average value this year of £73,000 (2020: £74,000) with more than 1,000 contracts completed during the year.

Our vision



**to be
the leading,
most trusted
provider
of total
foundation
solutions**

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 115 rigs in our fleet, with £54m capital investment in 2015–2021

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

We provide 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

Goals

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

Values

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

Cutting-edge solutions

Van Elle offer a full end-to-end capability from ground investigation to design to construction and testing and monitoring. We provide over 25 specialist ground engineering techniques supported by in-house design and have for the last three years invested over £10m per annum in research and development expenditure.

We categorise innovation into either:

- 1) a direct approach to solving customer problems; or
- 2) systematic innovations to products and techniques.

Direct innovation – comprises the majority of innovation activity at Van Elle where we use a combination of our resources to re-engineer and innovate design and installation methods to meet client's requirements, including unforeseen and variable site conditions. Examples from our activities in FY2021 illustrate where our teams innovated to change design and piling methods in order to deliver a successful project:

- Newington Emergency works – an embankment slip required an immediate response to design and construct a retaining wall system using road-rail plant
- In central London – the first-time adoption of deep CFA piling solution for foundations at Canary Wharf due to concerns regarding inclusions and pile deviation, achieved through technological advances in pile testing and real time digital data to confirm quality assurance

Systematic innovation – a large proportion of our patented products are developed in this manner, including the following examples in FY2021:

- Development of bespoke piling rigs and ancillary equipment to address a market need, such as development of our rigid inclusion capability
- Further development of the Smartfoot beam system, Smartbase gravity pad, and ScrewFast steel modular foundation system including pile grillages and adaptor caps to expand our range of modular foundation systems for new customers
- Further development of the Van Elle app to enable real-time sharing of HSQE and piling data across the business



A428 Black Cat project-specific app

We developed a project-specific app to share real-time site data and report any issues via a mobile device. The app is used by the whole project team, including our client and contractors. This variation on the Van Elle app was modified specifically for the A428 to include site-specific GI data. As well as immediate notification and access to hazard or near miss reports, the app gives our client real-time progress information, enabling collaborative planning. The app was shortlisted for the 2020 Ground Engineering Award for Digital Innovation due to the positive impact on the project.

Strategic direction

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 sustainable growth opportunities with residential and infrastructure expected to support strong growth in revenues, complemented by regional construction.



Improved business performance

Strategic priorities

- Simplified structure, improved leadership capability, strengthening of management team, employee engagement and development
- Operational performance improvement and increased asset utilisation
- Strengthened commercial approach, improved compliance and governance
- Overhead and cost efficiencies, debt reduction and strong cash position

Progress to date

- Co-location completed, leadership team finalised and employee engagement improving
- Operational performance and rig utilisation improving
- Strengthened commercial activities and improved governance and risk management with key appointments
- Implemented effective safe working practices to maintain operational continuity
- Cost reduction and cash preservation actions embedded

Links to KPIs and additional performance measures

- Revenue
- Underlying earnings per share
- Operating cash conversion
- Underlying return on capital employed
- Perfect delivery
- Rig utilisation

Links to risks

- Non-compliance with our Code of Business Conduct
- Product and/or solution failure
- Ineffective commercial management of contracts
- Not having the right skills to deliver
- Construction material shortage and volatility
- Insufficient resources to deliver contracts



Strategy in action

Investment in centralised Kirkby facilities benefits efficiency and collaboration. The new weld shop installation is the latest investment at our Kirkby headquarters.

Since 2019 investment in co-located offices, expansion of the training facilities and the precast factories have all contributed to a more efficient operational model and improved teamworking.



Foundations for growth

Strategic priorities

- Develop market position in key sub-sectors – housing highways, rail and industrial
- Raised brand profile and key customer development
- Early involvement, improved bidding capability and total foundations offering
- Innovation focus, diversity specialist services and selective capital investment
- Bolt-on acquisitions to strengthen end-to-end service offering

Progress to date

- Smartfoot national roll out, clear highways SMP Alliance and rail CP6 initiatives
- Refocused business development team, improved brand awareness
- ScrewFast complementary acquisition focused on specialist higher margin offering
- R&D expenditure circa 10% of cost base, including rigid inclusion development, rail GI and ground improvement
- New asset-based lending facility of up to £11m to support growth
- Continued investment in rigs in growth areas
- Strengthened diverse skill base and capacity

Links to KPIs and additional performance measures

- Revenue
- Underlying operating profit
- Underlying return on capital employed
- % repeat business with key customers
- Research and development expenditure as a percentage of cost base
- Investment in plant and equipment as a percentage of cost base

Links to risks

- Rapid downturn in markets
- Failure to procure portfolio of projects
- Ineffective commercial management of contracts
- Losing market share



Strategy in action

On 1 April 2021, we announced the acquisition of ScrewFast, a helical piling and steel modular foundations company.

Established in 2000, ScrewFast Foundations has a 15-year track record in highways, and its first rail schemes date back to 2002.

ScrewFast delivers a full, bespoke service offering of design, fabrication and installation, and holds patented designs with a system that allows the installation of steel helical piles without heavy piling equipment or in-situ concrete works.

- Project and framework slippage
- Inability to finance business
- Insufficient resources to deliver contracts



Market leadership

- Become a trusted partner with key customers
- Deploying the best people and assets
- Delivering operational excellence

Progress to date

- Increased repeat working and early involvement with key customers
- Further diversification of end-to-end capability including rigid inclusions, rail ancillary civils and sheet piling
- ScrewFast complementary acquisition broadening product offering
- Retained full skill base and capacity through COVID pandemic

Links to KPIs and additional performance measures

- % repeat business with key customers
- Customer satisfaction score
- Engagement score
- Attrition
- Number of apprenticeships and trainees
- Rig utilisation and downtime
- Revenue
- Underlying operating profit
- Underlying return on capital employed

Links to risks

- Rapid downturn in markets
- Failure to procure portfolio of projects
- Ineffective commercial management of contracts
- Losing market share
- Project and framework slippage
- Inability to finance business
- Not having the right skills to deliver



Strategy in action

Van Elle's Rail division led a Safety Stand Down Day collaboratively with Siemens in April 2021.

Safety is one of Van Elle's core values, along with integrity, teamwork and excellence, with the Company conducting regular open discussions on the life-saving topic.

Held at the head office in Kirkby-in-Ashfield, guests from Siemens joined Van Elle's Rail division to take part in a range of sessions including a Points Operator Briefing.

Teams were also refreshed on spill kit training, prestart checks and exclusion zones.

David Buckley, Divisional Director for Rail, who welcomed guests on the day, said: "The safety of employees is of the utmost importance, which is why it's always great to have regular open safety conversations with our customers.

Stephen Pick, Project Director at Birmingham Siemens Mobility, said: "It was a great opportunity to engage with our supply chain and observe the importance they place on the safety message with their workforce.

“Delivering outstanding results for our customers on civil, construction, building and infrastructure projects anywhere throughout the UK.”

Within this section

- 25** Operational review
- 25** General Piling
- 27** Specialist Piling and Rail
- 29** Ground Engineering Services



Operational review

General Piling

What we do

General Piling offers design and construction solutions for our larger rotary, CFA and driven piling projects that don't require restricted access specialist techniques, typically involving deeper and larger diameter piles and complex major project requirements.



Operational review continued

Revenue

(£m)

£27.3m

-6.8%

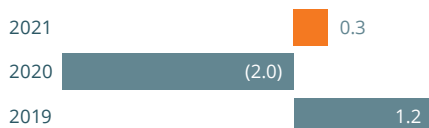


Operating profit/(loss)

(£m)

£0.3m

+115%



Key projects in FY21

The division collaborated with the Specialist Piling division on several key projects in FY2021 including high profile Smart Motorway projects, notably the M27 junction 4 to 11 for the BAM/Morgan Sindall JV and the M4 junction 4 to 12, and Gatwick station upgrade for Costain. The year also saw the completion of several major logistics projects involving our range of ground improvement and piling techniques and a number of large residential schemes for multi-story schemes in city centre locations.

Our year in review

Revenue contracted by 6.8% in the year to £27.3m (2020: £29.3m), representing 32% of Group revenues. The division suffered from the uncertainties in the markets for the reasons described above as well as the significant impacts of COVID-19.

As we experienced in 2020, challenging market conditions also resulted in lower utilisation of our large diameter rotary and CFA piling rigs which are the higher margin techniques in this division. A highly competitive commercial environment resulted in a weakened blended margin performance, albeit this was offset by the strengthened commercial capability and improved operational processes in the division.

Underlying operating profit for the division was £0.3m (2020 loss: £0.9m).



Specialist Piling and Rail

What we do

The Specialist Piling and Rail segment comprises the Specialist Piling, Rail and ScrewFast 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.

The Rail division specialises in on-track geotechnical operations across the UK's rail network. The acquisition of ScrewFast on 1 April 2020 further enhances our specialist capabilities helical pile and steel modular foundation solutions.



Operational review continued

Revenue

(£m)

£29.3m

+15.4%



Operating profit

(£m)

£1.0m

+333.3%



Key projects in FY21

Key projects included the complex Viadux new development in central Manchester, where we delivered piling to restricted headroom vaulted basements enabling the creation of new homes and businesses while preserving the area's historical railway heritage.

In a busy year for stations upgrades the division reached a milestone of its 170th station project, working closely with wider Van Elle teams to help deliver Gatwick station upgrade for Costain and the new Birmingham University Station for VolkerFitzpatrick ahead of the 2022 Commonwealth Games.

The Rail division delivered a permanent retaining wall under emergency track possessions at Newington in Kent following an embankment failure which shut the line and on HS2 in Curdworth, Warwickshire.

Similar to many projects undertaken in FY2021, the Rail division deployed specialist rigs and equipment to install circular hollow section ('CHS') piles for temporary structures next to the existing railway on the HS2 northern section.

Our year in review

In the Specialist Piling division, revenue was 15.4% higher at £29.3m (2020: £25.4m), representing 35% of Group revenues. The division benefited from a strong performance in the infrastructure sector with a presence on five Smart Motorway projects and several rail station enhancements in the year. Particular highlights include the completion of our works on the M27 Smart Motorway for the BAM/Morgan Sindall JV which involved four of our divisions in an integrated delivery approach, completion of the M6 Smart Motorways scheme for Kier at Stafford, and complex major works undertaken for Costain at Gatwick station.

A proportion of the increased revenue was delivered by drilling and grouting (ground stabilisation) activity from a more selective customer base with structured pricing strategy and improved margins.

The acquisition of ScrewFast will further complement both the Specialist Piling and Rail divisions with aligned capabilities delivering a broader range of techniques.

The Rail division endured a year of subdued revenues as a result of delayed workstreams on CP6 and the conclusion of major electrification programmes, but has retained its full skill set and made good progress diversifying its range of services and customer base. Highlights include a new South East reactive framework award and the delivery of the first rail interface schemes on the northern section of HS2. The division has also been involved in several station schemes in conjunction with the Specialist Piling division and has invested in expanding its ground investigation capabilities in conjunction with Strata Geotechnics, delivering several important projects during the year, reflecting the Group's strategy to target early involvement in key projects.

Underlying operating profit for the division increased to £1.0m (2020: £0.3m).



Ground Engineering Services

What we do

Ground Engineering Services comprises services through the Strata Geotechnics and Housing divisions. Strata has expertise in drilling, sampling, analysing and reporting ground information to support follow-on design and construction activities.

The Housing division undertakes a range of piled foundation solutions in conjunction with the Smartfoot precast modular foundation system.



Operational review continued

Revenue

(£m)

£27.6m

-6.7%



Operating profit

(£m)

£0.2m

+0.0%



Key projects in FY21

With the industry increasingly moving to modern methods of construction, the Housing division has further developed the Smartfoot modular foundation system to suit the needs of modular house builders and has completed several notable projects in FY2021 across the UK.

Also in the year, our ground improvement team further developed our rigid inclusion capability and installed more than 2,000 piles on a former landfill site in the home counties to pave the way for the construction of two new industrial units.

Using a mixture of rotary and cable percussion drilling for the first time, Strata Geotechnics combined the Comacchio 205 rig and Geobore S drilling system to investigate the ground near Stonehenge.

And as one of its first projects under the Highways England ground investigation framework, Strata Geotechnics delivered sampling and engineering support to engineering consultancy RPS ahead of major road improvements between Amesbury and Salisbury.

Our year in review

Revenues of £27.6m represented a 6.8% decrease on the prior year (2020: £29.6m), representing 33% of Group revenues.

Our housing division delivers integrated piling and Smartfoot foundation beam solutions to UK housebuilders. The impact of COVID-19 at the start of the financial year resulted the cessation of all housebuilding activity for several weeks. Despite the shortfall of activity during the first quarter, the market gradually recovered and, along with increased activity from our investment in Vibro rig capability in the previous year, the division remained profitable.

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, and our expanded range of integrated services from early ground investigation, ground stabilisation and improvement followed by piling and foundations systems provides a strong model to support housebuilder customers.

Strata, our Geotechnical division, reported revenues of £4.7m (2020: £5.1m). 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, including the first contracts delivered under the Highways England ground investigation framework and several projects in the rail sector and across HS2.

Underlying operating profit for the division remained consistent at £0.2m (2020: £0.2m).



“Ensuring that the highest possible standards are achieved and maintained throughout the Group.”

Within this section

- 32 Corporate social responsibility
- 38 Engaging with our stakeholders
- 41 Risk management and principal risks

Corporate responsibility

Corporate responsibility, awareness and mitigation of adverse impacts on the environment, and positive engagement with our employees and the local community have influenced the development of our refreshed corporate values of Safety, Integrity, Teamwork and Excellence which we re-launched in FY2021.

Approach

The Group is committed to conducting business with honesty, integrity and fairness. 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, diversity and inclusion; training and development; whistleblowing; and modern slavery, supporting our approach to conducting business in an open and transparent manner.

The Group 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 Group 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 Group 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

During the year the Company made further progress on the delivery of its health and safety strategy and although several indicators improved, we were disappointed to experience a worsened accident frequency rate compared to FY2020.

In January 2021 an unforeseen equipment failure led to the tragic fatality of a subcontractor on one of our sites, for which investigations are ongoing.

During the year the Board has overseen an independent review of health and safety arrangements and a rolling safety improvement plan is led by the Chief Executive. Towards the end of FY2021 a refreshed set of Safety Golden Rules were launched and additional training delivered to reinforce our key policies and behaviours. In conjunction with other initiatives and workforce engagement we expect the safety performance in FY2022 to significantly improve.

HS&E KPIs 2016–2021

Category	FY16	FY17	FY18	FY19	FY20	FY21
Hazard – near miss reports	918	791	884	1,008	1,062	1,718
Environmental incidents	1	—	2	1	1	1
Minor injuries	20	18	36	22	24	29
<7-day lost time injuries	6	10	3	5	6	5
>7-day lost time injuries (riddor reportable)	4	1	2	2	3	4
Specified injury (riddor reportable)	3	1	1	2	—	2
Dangerous occurrence	—	—	—	—	—	1
Fatal	—	—	—	—	—	1
Riddor accident incident rate ("AIR")/1,000 employees	13.7	3.4	5.7	7.7	5.8	13.9
Riddor accident frequency rate ("AFR")/100,000 hours	0.53	0.14	0.21	0.37	0.23	0.59

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

We aim to identify risks through proactive hazard identification, which has increased by almost 50% since 2020 through our over 500 strong workforce and careful risk assessment and method planning. All health and safety incidents are reviewed at a senior level and extensive tool box talks, training and employee briefings are held to refocus the business and continually address and improve performance.

Our KPIs are detailed in the HS&E table on page 32.

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 and providing easy access to support when it is needed. 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 aid staff 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

Fundamental to our approach is the knowledge, competence and skills of our workforce gained through awareness and structured training, and this is recognised externally through our Investors in People silver accreditation.

We understand that the employee's first impression of our Company is paramount and in FY2021 we have updated and initiated new induction processes to ensure integration is as effective and supportive as possible.

As employees have returned to work after furlough leave – during which we enhanced the government minimum payments – we have supported with flexible working arrangements and additional engagement activities. Our employee retention rates have improved significantly compared to previous years as a result of some of these actions and the job security we have provided by avoiding redundancies. As we have started to experience growth again in some sectors we have commenced regular recruitment activity at all levels and remain committed to training from within our teams for future supervisory and technical roles.

We have a dedicated training team and on-site facilities in Kirkby in Ashfield, complimented from FY2021 with our new e-learning system, ensuring all our workforce hold valid industry certifications, as well as the ability to develop our staff to the highest of standards.

People KPIs 2019–2021

Category	FY19	FY20	FY21
Average number of employees	530	517	514
Voluntary attrition rate	23%	18%	3%
Total training days delivered	751	1,136	1,398
Training days delivered for Van Elle employees	691	795	1,006
Training days delivered to third party customers	60	341	392
Leadership training days delivered	Unknown	265	246
Number of apprentices and trainees	18	35	30
Employee engagement survey response	36%	56%	52%
Employee engagement score	61%	69%	73%

Corporate social responsibility continued

People continued

Investing in our workforce continued

We continue to support the general industry commitment to have 5% of our workforce in apprenticeship, graduate and formalised training schemes within five years of joining and have a total of 30 trainees of various disciplines and backgrounds under development in FY2021; some examples of which are below. (www.5percentclub.org.uk).



HR rising star praises apprenticeship for career

Olivia Bestwick said she knew she wanted to work at Van Elle when she came for work experience at just 16.

By the time she was 21, Olivia had enrolled on her first apprenticeship with Van Elle and West Nottinghamshire College and began her HR career.

Recently promoted from assistant to adviser, she said: "Joining Van Elle and taking on an apprenticeship has been the best thing I have ever done. I didn't enjoy school or sixth form; I liked working and wanted to carry on."

"Doing an apprenticeship meant I was getting my education whilst working at the same time. The course helped me to understand what I needed to do in an HR department and helped me figure out what it takes to be an HR practitioner."

Attending college once a week Olivia improved her communication and presentation skills while learning on the job. Now 24, she has completed her Level 3 apprenticeship, and has been selected to continue her studies into HR with a Level 5 apprenticeship.



Engineering apprentice works on dream job

Mustafaa McDonald, 22, a civil engineering apprentice, is one and a half years into a five-year apprenticeship with Van Elle and Nottingham Trent University which will earn him a BEng degree in civil engineering and the title of Incorporated Engineer.

"The great thing about my apprenticeship is that I get to have university paid for as well as having real work experience whereas other people who go to university might not have that."

Mustafaa is currently gaining valuable experience with Van Elle's Housing division, which specialises in modular foundation systems through its in-house product, Smartfoot.

Gaining on the job experience through the Group's EDI strategy to support emerging talent, Mustafaa added: "I didn't really know a great deal about ground engineering when I started. Now I do estimate and design work, which involves me quoting jobs. For example, if we get a site layout say for 30 homes, we will calculate the beam quantities and the pile quantities needed. My job also involves designing the pile length as well as the type."

Communication and employee engagement

We recognise 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 Group. 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, quarterly town hall meetings, monthly Lunch & Learn sessions, bi-monthly newsletters, and our Group social network platform, together with a Works Committee comprising colleagues from all levels of the organisation. Our annual employee survey yielded improved results compared to previous years.

During the coronavirus pandemic and subsequent lockdowns, communication was key to keeping our staff safe, connected and informed. We quickly utilised our remote IT systems and introduced the use of Microsoft Teams, so that staff across the business could maintain the same level of collaboration, workflow and teamwork.

Equality, diversity and inclusion

We are a proud Investor in People and our policies address equal opportunities, diversity and inclusion. In FY2021 we launched our EDI strategy and formed a working group to oversee its implementation. It is in the interests of the Group and its employees to utilise the skills of the total workforce and any appointments and promotions are based on suitability, capability and qualifications.

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

Our commitment to learning and development is continuous. We intend to maximise the Apprenticeship Levy scheme to offer both existing and new staff 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 women 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 a 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 life and careers.



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 local suppliers;
- manufacturing off-site wherever possible;
- 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; and
- reducing and avoiding the production of waste when on site.

Some examples of how we continue to minimise the impact of our services upon the environment and seek low carbon solutions include:

- the use of recycled steel tube, formerly used in the oil industry, to form steel piles;
- the use of biodegradable oils in our rigs;

- the use of pulverised fuel ash ("PFA"), a waste product from coal-fired power stations, in our grout products to reduce non-sustainable product usage;
- recycling schemes within all offices and yards;
- 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
- maximising the off site manufacture of modular foundation systems such as Smartfoot precast modular foundations and ScrewFast steel foundation systems.

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.

For the year ended 30 April 2021, the Group's GHG emissions and energy usage were as follows:

	Tonnes of CO ₂ e 2021	Tonnes of CO ₂ e 2020
GHG emissions from:		
Scope 1 – combustion of gas and fuel for transport and rig operation	5,750	4,751
Scope 2 – purchase of electricity	171	201
Total CO ₂ e emissions	5,921	4,952
Intensity measurement:	2021	2020
Absolute tonnes equivalent CO ₂ e per £m of revenue	70	59
Energy usage from:	2021	2020
Scope 1	22,526	18,607
Scope 2	807	864
Total MWh	23,333	19,470

No external verification of the above data has been performed.

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 add social value. 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 our employees and external companies 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. This year, our local charity partner was the Alzheimer's Society, which provides support nationwide for those living with dementia and their friends and families. In 2021 we raised over £13,000. We are currently collating nominations for our 2022 partner charity which will be put to a vote by all our employees.



Teversal Titans kick off the new season in Van Elle branded kit

An under 11s football team, based five miles from our Kirkby-in-Ashfield head office, started its summer league in brand new kits thanks to a donation through the Group's corporate social responsibility ("CSR") initiative.

The gatehouse and yardman at the Kirkby site, Reg Barton set up the Teversal Titans to provide training and game experience to local kids.

Reflecting on the importance of the club, Reg said: "Football provides such a great opportunity for kids to bond, learn teamwork and enjoy themselves. Watching the team build skills and gain confidence while in training has been great; they love it."

"The club runs an open try-out policy, so anyone who wants to play can come along. We're also open to those with special needs and work alongside parents to ensure that everyone can enjoy themselves safely."



Inspiring the next generation

A mixture of construction trade students, ranging from Level 1 to Level 3, and some A-Level students at Walsall College, attended the Virtual Work Experience Programme event, where experts from Van Elle and client VolkerFitzpatrick spoke about the wider opportunities the construction industry has to offer.

Dave Warner, Specialist Piling Director, and Lewis Yates, Design Engineer, joined the meeting, which was held online, to share their expert knowledge.

Jan Jones, Van Elle's Business Development Manager, who also attended, said: "We explained that their journey could easily lead them onto other paths within the industry."

"Our team did a great job explaining what they do and spoke about the different opportunities our specific sector has to offer and the various apprenticeships available."

There were more than 50 students at the event who commented that our team has made a positive impact on them. This event was part of Van Elle's ongoing EDI strategy to promote the construction industry through school and university events.

How we engage with our stakeholders

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	<ul style="list-style-type: none"> Group performance Strategic objectives Corporate governance Environmental, social and governance performance Share price 	<ul style="list-style-type: none"> Regular meetings between major shareholders and Executive Directors Investor roadshows at the time of interim and final results Presentation of interim and final results, and other significant events via Investor Meet Company – accessible to both institutional and retail investors
Employees	<ul style="list-style-type: none"> Health and safety Engagement and development Diversity Leadership 	<ul style="list-style-type: none"> Board receives monthly health and safety reports and performance details Annual performance appraisals for all staff including personal development review Group leadership team conducts periodic Group-wide briefings enabling sharing of key information Regular internal communications via Company newsletters
Customers	<ul style="list-style-type: none"> Customer engagement Quality and service level Innovative contract delivery 	<ul style="list-style-type: none"> Regular site management visits by Company managers Regular meetings with key customers to develop long-term relationships Customer experience scores
Suppliers	<ul style="list-style-type: none"> Strong supplier relationships Continuity of supply Financial strength and stability 	<ul style="list-style-type: none"> High focus on key strategic supplier partnerships Continuous review of the Group's funding structure and balance sheet strength
Community	<ul style="list-style-type: none"> Health and safety Contribution to the community Sustainability 	<ul style="list-style-type: none"> Robust apprenticeship scheme embedded in the organisation The Group selects a local charity to support annually based on employee nominations

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 2021.

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.

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**Dealing with the COVID-19 pandemic****Actions taken**

- 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
- Completed capital raise in April 2020 to provide the Group with sufficient headroom to withstand the effects of COVID-19 and to protect its financial strength
- Cessation of the use of the government's furlough scheme from May 2021 onwards

Key stakeholder groups considered

- The safety of our workforce 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 ensured staff returned to work as soon as possible after being furloughed
- 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 pandemic and longer-term recovery will inform employee engagement and key supplier relationships in the longer term

Decision**Refinancing of existing debt facilities****Actions taken**

- In October 2020 the Group secured up to £11m of asset backed lending facilities on a revolving basis over four years with security agreed against the Group's receivables and certain tangible assets
- The overdraft facility with Lloyds Banking Group of £2.5m came to an end in October 2020 when the asset backed lending facilities were established

Key stakeholder groups considered

- The consideration included providing headroom to strengthen the Group's balance sheet and to allow the Group to take advantage of growth opportunities as markets recover, by providing greater flexibility for future capital expenditure requirements

Decision

Acquisition of ScrewFast Foundations Limited

Actions taken

- On 1 April 2021 the Group acquired 100% of ScrewFast Foundations Limited, a specialist helical pile design, fabrication and installation business

Key stakeholder groups considered

- The Board considered the expectations of shareholders regarding bolt-on acquisitions in light of the current market conditions as a result of COVID-19, utilisation of the government furlough scheme and the recent capital raise
- The Board considered the level of value creation for shareholders as a result of the acquisition
- In agreeing the consideration payable the Board ensured a fair price was paid, a proportion of which is based on future performance in order to deliver the best returns for shareholders
- The Board considered the impact on the workforce, particularly those within the Specialist Piling and Rail function which ScrewFast has become part of
- The simplification of the procurements process for customers was considered as a result of the ability to offer a broader suite of foundation solutions

Decision

Setting the annual Group budget and subsequent forecast modelling for going concern purposes

Actions taken

- Reviewed and approved Group budgets for FY22 and high-level profit and cash forecasts for the next 12 months
- Approval of the going concern assumption

Key stakeholder groups considered

- 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
- 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

Risk management and principal risks

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, safeguard the health of its employees and ultimately adopt operating procedures to allow the safe continuation of operations. Further details of the Group's response to the global pandemic are included in the Chief Executive Officer's review on pages 10 to 14.

Reviewing our risk register

The risk registers of each division, together with the Group risk register, are updated and reported to the Audit and Risk 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

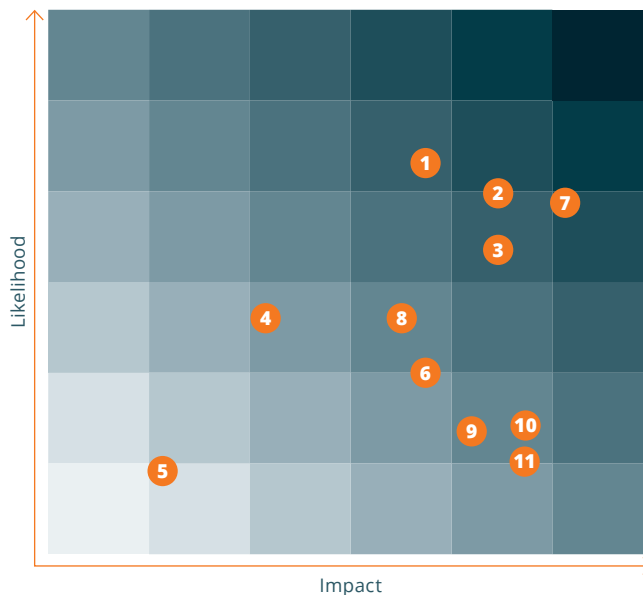
- 1 A rapid downturn in our markets
- 2 Contract slippage
- 3 Failure to procure new contracts
- 4 Losing our market share
- 5 Non-compliance with our Code of Business Conduct
- 6 Product and/or solution failure
- 7 Ineffective management of our contracts
- 8 Failure to comply with health and safety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

Risk management and principal risks continued

RISK MANAGEMENT FRAMEWORK



RISK HEATMAP



► 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.	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.	—	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.	—	1

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.	—	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.	—	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. The Group maintains comprehensive insurance cover and clear terms of business with customers and suppliers.	—	1 2

Risk management and principal risks continued

Risk description	Potential impact	Mitigation	Change	Link to strategy
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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.	<p>We ensure we always undertake credit checks on potential customers.</p> <p>We have a diversified customer base with no single customer accounting for >10% of total turnover.</p> <p>Ensuring we understand all our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance.</p> <p>Ensuring we have high-quality people delivering projects.</p> <p>A new Perfect Delivery Concept has been introduced, setting criteria to achieve effective first-class solutions for our clients.</p>	—	1 2
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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.	<p>A Board-led commitment to achieve zero accidents.</p> <p>Visible management commitment with safety tours, safety audits and safety action groups.</p> <p>Implementing management systems that conform to Occupational Health and Safety Assessment Systems (ISO 9001, ISO 14001 and ISO 45001).</p> <p>Extensive mandatory employee training programmes.</p>	—	1 2
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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.	<p>Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential.</p> <p>Pre-employment checks ensure we have the right people in the right roles.</p>	—	1 2
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10 Insufficient resources to deliver contracts

A shortage of raw material product available in the market.	Impairment of our ability to deliver contract works.	<p>Strategic review of potential material shortages to be undertaken and commercial terms inserted accordingly.</p> <p>The Group applies selective criteria when choosing suppliers to ensure standards for quality, reliability and financial partnering are satisfied.</p> <p>A diverse supplier base is maintained.</p>	▲	2
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Financial risks

11 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.	<p>Capital raise has provided headroom for the Group, to withstand a downturn in markets.</p> <p>Net debt has reduced and the Group is in a net funds position at the end of FY20.</p> <p>All outstanding loans have been repaid during FY20.</p>	▼	1 2
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“In October 2020 the Group secured up to £11m of asset backed lending facilities which will support future growth.”

Within this section

- 46** Key performance indicators
- 48** Financial review

Key performance indicators

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

+0.0%



Description

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

Performance

Revenue was consistent with that delivered in the preceding year at £84.4m despite the significant impact of COVID-19 in the first quarter.

Underlying operating (loss)/profit (£m)

£(0.6)m

-100.0%



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

The impact of COVID-19, particularly in Q1 of the financial year and the reduction in gross margins due to mix and operational challenges has impacted overhead recovery resulting in an increased underlying operating loss for the year of £0.6m.

Reported operating (loss)/profit (£m)

£(0.8)m

+50.0%



Description

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

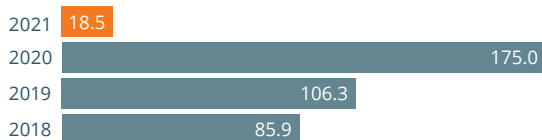
Performance

Reported operating loss has decreased 50% in 2021 to a loss of £0.8m, an operating margin of -0.9%. The reported operating loss reduced in the year as one-off asset impairments and exceptional costs recognised in the previous financial year were not repeated.

Operating cash conversion (%)

18.5%

-89.4%



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 downturn in trading due to the initial COVID-19 lockdown in April 2020 resulted in a reduction in working capital at the end of the previous financial year. This shrink in working capital resulted in a temporary cash inflow which has reversed during the current year. This change in working capital and is reflected in the Group's operating cash conversion rates in FY20 and FY21.

Underlying earnings per share ("EPS")

(p)

(1.1)p

+26.7%

**Description**

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

Performance

The reported EPS of -1.1p is up 26.7% on the previous year. Although underlying operating losses increased on the previous year the full year impact of the April 2020 share placing on the weighted average number of shares results in an improved EPS in comparison to the previous year.

Underlying return on capital employed ("ROCE")

(%)

(1.2)%

-100.0%

**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 property and vehicle lease liabilities) and earnings is taken as underlying operating profit.

Performance

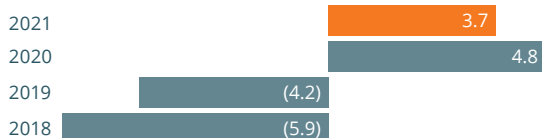
The reduction in underlying ROCE is driven by the reduced underlying operating profits due to the impact of COVID-19, particularly in Q1 of the financial year and the reduction in gross margins due to mix and operational challenges. ROCE is forecast to continue to improve following the recovery from COVID-19.

Net funds/(debt)

(£m)

£3.7m

-22.9%

**Description**

Net funds reflects the Group's total cash and cash equivalents less any borrowings, excluding IFRS 16 property and vehicle lease liabilities.

Performance

Net funds has reduced in the year by £1.1m, whilst HP finance continues to be paid down, the Group's cash balance has reduced due to the need to reinvest in working capital. The acquisition of ScrewFast has added £1.2m of debt to the Group.

Reported earnings per share

(p)

(1.3)p

+56.7%

**Description**

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

Performance

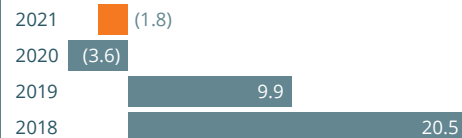
The reported EPS of -1.3p is up 56% on the previous year reflecting improved reported operating losses and the full year impact of the April 2020 share placing on the weighted average number of shares.

Reported return on capital employed

(%)

(1.8)%

+50.0%

**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 property and vehicle lease liabilities) and earnings is taken as operating profit.

Performance

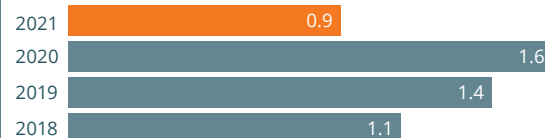
The ROCE of -1.8% is a 50% improvement on FY20 but is still a lower return than considered desirable on funds invested over recent years. ROCE is forecast to continue to improve following the recovery from COVID-19.

Leverage

(times)

0.9

-43.8%

**Description**

This KPI measures the Groups total debt as a proportion of annual EBITDA.

Performance

Leverage has reduced in FY21 as HP finance continues to be paid down.

Maintaining a strong financial position



Highlights

- Activity during the first quarter significantly impacted by COVID-19
- Positive recovery in revenues and profits post COVID-19
- Year-end cash balance of £8.5m
- Cash conversion of 18.5% as working capital requirements revert to normal levels following the initial COVID-19 lockdown
- Renewal of debt facilities in October 2020 resulting in available debt facility of up to £11m, currently undrawn
- Continued reduction in the Group's HP debt
- All deferred VAT liabilities and time to pay arrangements with HMRC settled during the financial year

Revenue

Revenue in the year to 30 April 2021 was consistent with revenue reported for the preceding year. Continuing the experience of the final six weeks of the previous financial year, Q1 FY21 was significantly impacted by the downturn in the wider construction market caused by COVID-19 restrictions. The decrease in H1 revenues and the increase in H2 revenues in comparison to the previous year reflects this impact.

	2021 £'000	2020 £'000	Change %	2021 %	2020 %
H1	38,323	48,524	(21.0)	45.4	57.5
H2	46,045	35,849	28.4	54.6	42.5
Revenue	84,368	84,373	—	100.0	100.0

Throughout H1 there was a gradual recovery in contract activity with revenues recovering to pre-COVID-19 levels by the end of H1. Further national lockdowns announced in November 2020 and January 2021 had a less significant impact on the Group and its markets as construction activity was able to continue with adapted operating procedures in accordance with government and industry guidance. Infrastructure and housebuilding markets continued to recover during H2 as a result and the Group's activity levels, subject to normal seasonal patterns, continued to recover with revenues in Q4 returning to pre-COVID-19 levels.

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:

	2021 £'000	2020 £'000	Change %	2021 %	2020 %
Residential	37,296	41,301	(9.7)	44.2	49.0
Infrastructure	28,464	23,974	18.7	33.7	28.4
Regional construction	18,481	18,728	(1.3)	21.9	22.2
Other	127	370	(65.7)	0.2	0.4
Revenue	84,368	84,373	—	100.0	100.0

The residential sector was impacted the most by COVID-19 restrictions with many sites closed in the later part of the preceding year and into Q1. In particular, extended site closures in Scotland, where the Group has a significant presence, impacted revenues. Despite this, the residential sector continues to lead the Group's revenues. A steady recovery in this market following the first lockdown meant operational teams operated at close to capacity throughout Q2 and through much of H2.

The infrastructure sector showed a steady recovery following the first lockdown in Q1. Whilst Rail activity remained subdued due to delays in Network Rail's CP6 programme the Group successfully delivered several significant highways projects during the year resulting in the increased revenues in this sector. The Group's Rail resources were effectively reallocated during the year to support this growth.

Key financial data

Revenue

£84.4m

Net assets

£44.0m

Net funds*

£3.7m

Cash conversion

+18.5%

* Net funds excluding IFRS 16 property and vehicle lease liabilities.

The Group continued to see high levels of competition and pricing pressure in the regional construction sector resulting in slightly reduced revenues. Several good quality projects in this sector were delivered during the year and the Group improved its execution compared to last year.

The mix of revenue by our divisions is shown below:

	2021 £'000	2020 £'000	Change %	2021 %	2020 %
General Piling	27,340	29,314	(6.7)	32.4	34.7
Specialist Piling and Rail	29,345	25,359	15.7	34.8	30.1
Ground Engineering Services	27,596	29,565	(6.7)	32.7	35.0
Head office	87	135	(35.6)	0.1	0.2
Revenue	84,368	84,373	—	100.0	100.0

Specialist Piling showed the strongest recovery since the first COVID-19 lockdown with operational teams working at close to full capacity consistently since the end of Q1. The division benefited from strong, post-COVID-19 recovery in the highways and residential sectors. On 1 April 2021, the Group acquired ScrewFast Foundations Limited which contributed revenues of £1.0m in the final month of the financial year. ScrewFast forms part of the Group's Specialist Piling division.

General Piling was impacted by increased competition in the regional construction sector whilst Ground Engineering Services was significantly impacted by COVID-19 restrictions in the residential sector in Q1.

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 26.1% (2020: 26.8%) mainly due to an adverse sales mix, with higher margin activities in Rail subdued in the year. A small number of contracts suffered operational challenges during the year, also impacting overall gross margin rates.

Gross margin was not significantly impacted by COVID-19 as the Group responded quickly, reducing costs in line with the downturn in activity. The Group utilised the government's Job Retention Scheme during the year.

Operating profit

The impact of COVID-19, particularly in Q1 of the financial year, and the reduction in gross margins impacted overhead recovery resulting in an underlying operating loss for the year of £0.6m (2020 underlying operating loss: £0.3m). The reported operating loss reduced by £0.8m to £0.8m in the year as one-off asset impairments and exceptional redundancy costs recognised in the previous financial year were not repeated. Reported operating margin increased to -0.9% (2020: -1.9%) and our underlying operating margin decreased to -0.7% (2020: -0.3%).

	2021 £'000	2020 £'000	Change %
Operating loss	(801)	(1,609)	50.2
Operating margin	(0.9)%	(1.9)%	1.0
Underlying operating loss	(553)	(257)	(115.2)
Underlying operating margin	(0.7)%	(0.3)%	(0.4)

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 £0.2m were incurred, principally in respect of the fees associated with the acquisition of ScrewFast Foundations Limited on 1 April 2021 and share-based payment costs.

Net finance costs

Net finance costs were £598,000 (2020: £630,000). The decrease in finance costs reflects the reducing financial liabilities as hire purchase contracts reach their term. HP agreements are typically at fixed rates of interest and over a five-year term.

Taxation

The Group had a taxable loss in the financial year ending 30 April 2021. The tax charge of £13,000 arises as a result of an increase in deferred tax liabilities relating to fixed asset timing differences arising from accelerated capital allowances of £896,000, offset by an adjustment in respect of the amount of prior year tax losses that were utilised through carrying back claims against previous year tax charges of £554,000 and the creation of a deferred tax asset in respect of trading losses to the extent that they are expected to be utilised in the next 12 months of £329,000.

Dividends

The period of disruption caused by COVID-19 and the resulting need to manage cash resources have resulted in no dividend being paid to shareholders during the year. No final dividend is also proposed in respect of the current financial year.

The Board recognises the importance of dividends to shareholders and the creation of shareholder value and expects to reinstate an appropriate and meaningful dividend in the next financial year as market recovery is expected to continue.

Financial review continued

Earnings per share

The underlying basic earnings per share was -1.1p (2020: -1.5p), based on an underlying loss of £1,164,000 (2020 underlying loss: £1,227,000). Reported basic earnings per share was 1.3p (2020: 3.0p).

Balance sheet

	2021 £'000	2020 £'000
Fixed assets (including intangible assets)	42,835	40,912
Net working capital	6,930	4,439
Net (debt)/funds	(1,711)	852
Deferred consideration	(1,521)	—
Taxation and provisions	(2,548)	(959)
Net assets	43,985	45,244

Note: net working capital and taxation and provisions are stated net of claim liabilities and associated insurance assets.

The Group's net assets reduced by £1.2m to £44.0m (2020: £45.2m) in the year as a result of the reported loss.

The Group reduced its investment in fixed assets during the year to £2.1m (2020: £3.7m) given the need to manage cash resources in a period of recovery. Rig purchases were restricted to the Specialist Piling and Ground Engineering Services divisions where post-COVID-19 recovery has been strongest and there are further opportunities for future revenue growth.

On 1 April 2021 the Group acquired 100% of ScrewFast Foundations Limited, a specialist helical pile design, fabrication and installation business for an initial consideration of £1,760,000 plus £780,000 payable on 31 August 2023 and up to a further £65,000 payable on 31 August 2022 and up to £1,110,000 payable on 31 August 2023 subject to future performance. The fair value of the net assets acquired was £897,000, including £980,000 of cash. The total consideration payable, net of cash acquired, and discounting of the deferred consideration is estimated at £2,297,000. Goodwill of £2,380,000 has been recognised on the acquisition. Since 1 April 2021 ScrewFast has contributed revenues of £1.0m and profit of £0.1m to the Group.

During the year the Group sold the property at Dereham after vacating the property in the previous financial year due to consolidation of the Group's operations into a single site at Kirby-in-Ashfield.

Working capital increased to £6.9m (2020: £3.8m), reverting to normalised levels following the reduction in working capital at the end of the previous financial year due to low levels of activity during April 2020 due to the first COVID-19 lockdown.

ROCE improved in the period to -1.8% at 30 April 2021 (2020: -3.6%), reflecting the impact of the lower operating loss.

Net funds

	2021 £'000	2020 £'000
Bank loans	(812)	—
Lease liabilities	(9,417)	(11,336)
Total borrowings	(10,229)	(11,336)
Cash and cash equivalents	8,518	12,188
Net (debt)/funds	(1,711)	852
Net funds excluding IFRS 16 property and vehicle lease liabilities	3,704	4,811

Net funds has decreased by £2.6m to a net debt position of £1.7m as at 30 April 2021.

Cash has reduced during the year primarily due to the need to reinvest in working capital following the working capital reduction immediately prior to the previous year end due to significantly reduced activity amid the first COVID-19 lockdown.

The total value of debt has reduced during the year despite £1.2m of debt (£0.8m of loans and £0.4m of HP finance) being acquired on the acquisition of ScrewFast as the Group continues to pay down existing HP debt finance.

Cash has reduced during the year primarily due to the need to reinvest in working capital following the working capital reduction immediately prior to the previous year end due to significantly reduced activity amid the first COVID-19 lockdown.

The net debt position as at 30 April 2021 is stated after £5.4m of IFRS 16 property and lease liabilities. Excluding these liabilities, the Group reports a net funds position of £3.7m (2020: £4.8m). The increase in IFRS 16 property and vehicle lease liabilities in the current year reflects the renewal of the Group's van fleet, the roll out of which commenced in Q4 of FY21 and is on a long-term hire basis over a maximum period of four years.

In October 2020 the Group secured up to £11m of asset backed lending facilities on a revolving basis over four years secured against the Group's receivables and certain tangible assets. There are no financial covenants associated with the facilities and they remain undrawn to date. The undrawn overdraft facility with Lloyds Banking Group of £2.5m came to an end in October 2020 when the asset-backed lending facilities were established.

Cash flow

	2021 £'000	2020 £'000
Operating cash flows before working capital	4,059	4,627
Working capital movements	(3,286)	3,486
Cash generated from operations	773	8,113
Income tax received/(paid)	1,408	(679)
Net cash generated from operating activities	2,181	7,434
Investing activities	(1,316)	(2,324)
Financing activities	(4,535)	(919)
Net (decrease)/increase in cash	(3,670)	4,191

The Group received corporation tax refunds during the year amounting to £1.4m as a result of the recovery of payments on account made in the year ended 30 April 2020 and the utilisation of trading losses from the year ended 30 April 2020 carried back to previous periods. During the year all deferred VAT liabilities and time to pay arrangements made during the period of disruption caused by COVID-19 were settled with HMRC.

The Group continues to prioritise cash generation and the active management of working capital.

The strategic report is approved by the board.

Graeme Campbell
Chief Financial Officer
16 August 2021

Within this section

- 52 Board of Directors
- 53 Corporate governance statement
- 56 Audit and Risk Committee report
- 59 Nomination Committee report
- 60 Remuneration Committee report
- 62 Directors' remuneration policy
- 65 Annual report on remuneration
- 67 Directors' report
- 68 Statement of Directors' responsibilities
- 69 Independent auditor's report



A team committed towards building future success



Frank Nelson

Non-Executive Chair

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 two quoted companies, 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, a Senior Independent Director at McCarthy and Stone plc and formerly the Chief Financial Officer of Galliford Try plc.



Mark Cutler

Chief Executive Officer

Mr Cutler was appointed to the board in August 2018. 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.



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 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 Capstone Foster Care Limited, NHS Blood and Transplant and Whiteline Group Ltd.

Key to Committee membership

- A** Audit and Risk Committee
- N** Nomination Committee
- R** Remuneration Committee
- Committee Chair

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 52. 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 held formal board meetings 14 times during the year. Board meetings are conducted to a set agenda with a pack of comprehensive briefing papers circulated to all Directors prior to each scheduled meeting. The Board also met on an ad hoc basis several times during the year to discuss various matters. The discussions of these more informal meetings are minuted in line with Board meetings.

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

The Board conducted an appraisal of its own performance during the financial year ended 30 April 2019. The output of this appraisal indicated that the Board and its Committees operate effectively. The Board intends to conduct an appraisal of Board performance in the next financial year following several Board changes in the year ended 30 April 2021.

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 and Risk Committee

The Audit and Risk Committee comprises all Non-Executive Directors and is chaired by Charles St John. Robin Williams retired from the position of Audit and Risk Committee Chair 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 and Risk Committee met on six occasions during the year. Further details on the work and responsibilities of the Audit and Risk Committee are shown on pages 56 to 58.

Nomination Committee

The Nomination Committee comprises all Non-Executive Directors and is chaired by Frank Nelson. Adrian Barden retired from the position of Nomination Committee Chair on 31 August 2020. 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 one occasion during the year. Further details on the work and responsibilities of the Nomination Committee are shown on page 59.

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 four occasions during the year. The Remuneration Committee report is set out on pages 60 and 61.

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 41 and 42 which sets out how the Board identifies, assesses and takes 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 Group's order book and the pipeline of potential future orders;
- the borrowing facilities available to the Group; and
- the extent of liabilities from ongoing claims and associated insurance cover.

To support the review of going concern, detailed forecasts have been prepared for the period to 31 August 2022. Both cash and profit forecasts have been stress-tested against key sensitivities which could materialise due to economic factors or commercial or operational conditions.

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

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 Chair 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 16 August 2020.

By order of the Board

Graeme Campbell
Company Secretary
16 August 2021

Audit and Risk Committee report



Charles St John
Chair of the Audit and Risk Committee

Director	Attendance
Frank Nelson*	● ● ● ● ● ● ● ●
David Hurcomb*	● ● ● ● ● ● ● ●
Charles St John (Chair)	● ● ● ● ● ● ● ●
Adrian Barden*	● ● ● ● ● ● ● ●
Robin Williams (Chair)	● ● ● ● ● ● ● ●
Mark Cutler**	● ● ● ● ● ● ● ●
Graeme Campbell**	● ● ● ● ● ● ● ●

* 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 management representation letters, going concern reviews and significant areas of accounting estimates and judgements (including provisions for impairment of trade receivables and contract assets, accounting for the acquisition of ScrewFast and the associated contingent consideration, provisions for insurance claims, exceptional items and the carrying value of intangible 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; and
- reviewed, considered and approved updates to significant policies including whistleblowing and anti-bribery.

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 and Risk 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, as a Chartered Accountant, 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 six 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 ten 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 fifth year of his term as audit partner and will rotate after this year's audit has concluded.

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 were 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 41 to 44.

Internal controls and risk management continued

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.

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.
- Acquisition of ScrewFast – the goodwill on the acquisition of ScrewFast is based on the fair value of the assets and liabilities at the date of acquisition and on an estimate of the contingent consideration that will be payable based on future performance. The Committee has reviewed the estimates and judgements applied by management in the calculation of goodwill and is satisfied with management's conclusions.

- Provisions for legal and other claims – the Group holds material provisions in respect of legal and other claims. The Group carries insurance and any reimbursements, where material and virtually certain, are treated as separate assets. The calculations of the provisions contain management estimates and judgement on the likely outcome of the claims. The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusions.
- 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 no impairment is required.

Going concern

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 Group's order book and the pipeline of potential future orders;
- the borrowing facilities available to the Group; and
- the extent of liabilities from ongoing claims and associated insurance cover.

To support the review of going concern, detailed forecasts have been prepared for the period to 31 August 2022. Both cash and profit forecasts have been stress-tested against key sensitivities which could materialise due to economic factors or commercial or operational conditions.

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.

Charles St John
Chair of the Audit and Risk Committee
16 August 2021

Nomination Committee report



Frank Nelson
Chair of the Nomination Committee

Director	Attendance
Frank Nelson (Chair)	●
David Hurcomb (Sub-Committee Chair)	●
Charles St John*	●
Adrian Barden (Chair)	●
Robin Williams*	●
Mark Cutler**	●
Graeme Campbell**	●

* Committee member.

** Attended by invitation.

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 a Chair of the Company, which was concluded 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 Chair 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 Chair of the Board normally chairs the Committee, except where it is dealing with their own reappointment or replacement. In this instance, as was the case in the current year, the Committee is chaired by another Non-Executive Director nominated as Sub-Committee Chair. The Company Secretary acts as the Secretary to the Committee.

The Committee met once 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 52. The Committee considers that the performance of each of the Directors standing for election at the Annual General Meeting continues to be effective and each demonstrates commitment to their role.

Board changes

On 1 July 2020, I was appointed Non-Executive Director and Chair designate. I assumed the role of Chair in August 2020 when Adrian Barden resigned from his position as Non-Executive Director and Chair.

Robin Williams also resigned from his position as Non-Executive Director in August 2020.

Frank Nelson
Chair of the Nomination Committee
16 August 2021

Remuneration Committee report



David Hurcomb

Chair of the Remuneration Committee

Director	Attendance
Frank Nelson*	● ● ● ● ●
David Hurcomb (Chair)*	● ● ● ● ●
Charles St John	● ● ● ● ●
Adrian Barden*	● ● ● ● ●
Robin Williams (Chair)	● ● ● ● ●
Mark Cutler**	● ● ● ● ●
Graeme Campbell**	● ● ● ● ●

* 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 2020/21;
- reviewed and approved Executive Director and senior management team salaries for 2020/21;
- considered and approved the deferral of salary increases for senior management from June 2020 to January 2021;
- reviewed and approved the parameters of the Annual Bonus Plan, including performance measures and targets for 2020/21 for the Executive Directors and senior management team;
- considered and approved LTIP awards to the Executive Directors and senior management; and
- considered and approved a temporary reduction in Board and senior management pay.

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 Chair 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 four 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 Chair requires.

Remuneration decisions and outcomes for 2020/21

In 2020/21 the Committee's focus has been on ensuring a balanced approach to remuneration considering the significant impact of the COVID-19 pandemic on business performance, the utilisation of the government's Job Retention Scheme and the significant contribution of the Executive Directors and senior management in response to the global pandemic in protecting cash, reducing costs and safeguarding the health of employees.

Members of the Board agreed a voluntary pay reduction of 20% from April 2020 to June 2020 followed by a 10% reduction in July 2020. In addition to this, throughout April 2020 to July 2020 senior management agreed up to 20% pay reductions whilst continuing to work.

The base salary increase usually effective from 1 June 2020 was deferred for all employees until 1 January 2021. The Committee agreed that in light of COVID-19 no salary increase was awarded to members of the Board.

In setting the Annual Bonus Plan for 2020/21 bonus targets were set above market expectations and internal budgets and the maximum achievable pay-out was reduced to 50% of the normal achievable amount. The amended targets sought to balance the impact of COVID-19 with the need to retain expertise in a competitive market, a key component of delivering growth opportunities as markets recover.

As detailed in this report, the current financial year has been challenging and the Group was impacted significantly by COVID-19, particularly in the first quarter of the financial year. Recovery following the first lockdown has been positive with many parts of the business returning to full capacity later in the year. The performance achieved against financial and operational targets has resulted in a bonus payable to senior management and other employees in respect of current year at levels below the maximum level achievable. The Committee agreed that, despite the achievement of targets, no bonus is payable to Executive Directors in respect of the current year.

The Committee will continue to assess the maximum levels and performance measures of the Group's Annual Bonus Plan in light of the general market recovery and expected business performance in the post-COVID-19 period to ensure these are stretching.

No LTIP or CSOP awards vested during the year. An issue of LTIP awards was made on 30 September 2020 to Executive Directors and senior management as well as one level below senior management. The 2020 LTIP issue is based on long-term outcomes with a three-year vesting period. Targets are based 50% on total shareholder return and 50% on return on capital employed in 2022/23. No adjustment was made to the grant price on issue of the awards to reflect the impact of COVID-19 on the basis that the share price had recovered to near pre-COVID-19 levels by the time of the issue in September 2020. No CSOP awards were issued in the current year.

The Committee considers that the remuneration framework for the Executive Directors remains broadly fit for purpose and so is not proposing any significant changes.

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

16 August 2021

Directors' remuneration policy

Introduction

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

Principles adopted

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

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

Balancing short and long-term remuneration

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

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

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

Performance measures and targets

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

The Committee believes that 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.

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 January 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 following sign off of the financial statements for 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 ROCE). Vesting is dependent on service and performance conditions. 25% vests at threshold performance.	Service and performance conditions must be met over a three-year period. 25% vesting if TSR ranked at median within comparator group. 100% vesting if TSR ranked in upper quartile. 25% vesting if ROCE in FY23 exceeds 12%. 50% vesting if ROCE in FY23 exceeds 14%. 100% vesting if ROCE in FY23 exceeds 18%. The Committee has discretion to vary the weighting of performance metrics over the life of this remuneration policy.

Directors' remuneration policy continued

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 Chair 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	
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	<p>Non-Executive Directors' fees are set by the Board. The Chair's fees are set by the Committee.</p> <p>Annual fees are paid in 12 equal monthly instalments during the year.</p> <p>Fees are regularly reviewed against those for Non-Executive Directors in companies of similar scale and complexity.</p> <p>Non-Executive Directors are not eligible to receive benefits and do not participate in incentive or pension plans.</p>	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 2021 with comparative figures for the year ended 30 April 2020.

	Salary/fees £'000	Benefits £'000	LTIP £'000	Pension £'000	Other* £'000	2021 Total £'000	2020 Total £'000
Executive Directors							
Mark Cutler	273	14	—	27	—	314	465
Graeme Campbell	158	12	—	8	—	178	33
Non-Executive Directors							
Adrian Barden (resigned 31 August 2020)	25	—	—	—	—	25	85
Robin Williams (resigned 31 August 2020)	15	—	—	—	—	15	50
Charles St John	43	—	—	—	—	43	8
David Hurcomb	43	—	—	—	—	43	45
Frank Nelson	72	—	—	—	—	72	—
Aggregate emoluments	629	26	—	35	—	690	773

Remuneration for Graeme Campbell and Charles St John in the year ended 30 April 2020 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. None of the long-term incentive awards granted post-listing had a performance period that ended during this financial year. As a result, this column has a zero figure.

Annual Bonus Plan

Bonuses are earned by reference to the financial year and paid in August following the end of the financial year. There is no bonus accruing to the Executive Directors in respect of the year ended 30 April 2021.

Aggregate Directors' emoluments

	2021 £'000	2020 £'000
Salaries	629	576
Taxable benefits	26	22
Other*	—	143
Pension allowances	35	32
Subtotal	690	773
Employer's NI	84	96
Total	774	869

* 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

During the year, the Executive Directors were granted a conditional share award on 30 September 2020, 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	802,816	30/09/23
Graeme Campbell	LTIP	100% of salary	165	25	464,788	30/06/23

The face value of the awards is calculated using the share price at the date of grant, 30 September 2020, at £0.35 per share.

Annual report on remuneration continued

Share awards granted during the year continued

The performance conditions in respect of the awards granted in the year ended 30 April 2021 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
Return on capital employed in FY23	50%	14%	18%

Mark Cutler was granted a conditional share award on 16 August 2019, 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	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).

Statement of Directors' shareholdings 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 2021 as follows:

	Ordinary shares held at 30 April 2021 Number	Options held at 30 April 2021 Number
Executive Directors		
Mark Cutler	252,767	1,837,916
Graeme Campbell	50,000	464,788
Non-Executive Directors		
Charles St John	100,000	—
David Hurcomb	65,000	—
Frank Nelson	100,000	—

Statement of implementation of remuneration policy – year to 30 April 2021

The fees for the financial year for Non-Executive Directors, Adrian Barden, Robin Williams, David Hurcomb, and Charles St John and Frank Nelson are £25,000, £15,000, £43,000, £43,000 and £72,000, 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 16 August 2021 and signed on its behalf by the Remuneration Committee Chair.

David Hurcomb

Chair of the Remuneration Committee

16 August 2021

Directors' report

Introduction

The Directors present their annual report and the Group audited financial statements for the year ended 30 April 2021. The strategic report on pages 1 to 50, the corporate governance report on pages 52 to 68 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 50.

Results and dividend

The Group's result for the year is shown in the consolidated statement of comprehensive income on page 76.

No interim dividend was paid during the year and no final dividend is proposed in respect of the financial year ended 30 April 2021.

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 26 of the consolidated financial statements.

Directors

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

- A Barden (resigned 31 August 2020)
- M Cutler
- R Williams (resigned 31 August 2020)
- D Hurcomb
- G Campbell
- C St John
- F Nelson (appointed 1 July 2020)

The biographies of the Directors are detailed on page 52. Their interests in the ordinary shares of the Company are shown in the Directors' remuneration report on page 66. 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 pages 65 and 66.

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.

Prior period restatements

As explained in note 14 of the financial statements, the 2020 parent company statement of financial position has been restated to present amounts owed from group undertakings of £10,375,000, within non-current assets, which were previously included in trade and other receivables, within current assets. This restatement has not impacted the previously reported profits or net assets.

Directors' indemnities

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

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

Employees

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

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

Further details regarding employees are detailed in the corporate social responsibility statement on pages 32 to 37.

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 2021 the issued share capital of the Company was 106,666,650 ordinary shares of 2p each. Details of the share capital as at 30 April 2021 are shown in note 29 of the consolidated financial statements.

The market price of the Company's shares at the end of the financial year was £0.485 and the range of market prices during the year was between £0.305 and £0.505.

Substantial shareholdings

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

Name of holder	Total holding of shares	% of total voting rights
Ruffer LLP	20,984,083	19.67
Otus Capital Mgt	20,462,441	19.18
Premier Miton Investors	10,442,402	9.79
Gresham House Asset Mgt	9,646,937	9.04
Close Brothers Assets Mgt	7,443,260	6.98
NR Holdings	6,009,999	5.63
Janus Henderson Investors	3,678,000	3.45

Directors' report continued

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 80.

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
16 August 2021

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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 International Accounting standards in conformity with the requirements of the Companies Act 2006; and subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Graeme Campbell
Company Secretary
16 August 2021

Independent auditor's report

To the members of Van Elle Holdings plc

Opinion on the financial statements

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

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 2021 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the trading and cash flow budgets and forecasts approved by the Directors, which cover the period to 31 August 2022. This included challenging the key estimates and judgements and the evidence underpinning them. In doing so, we specifically considered the principal trading and cash flow assumptions, and challenged management on revenue forecasts, margins, and the levels of capital expenditure required to support the forecast levels of activity. We corroborated explanations to post year end trading results.
- We assessed the sensitivities undertaken against the level of available cash and contracted funding facilities.
- We considered the results of the reverse stress test undertaken by management and assessed the reasonableness of the Directors' assessment that the scenario that could result in the Group facing a cash shortfall was remote in light of the historic trading results.
- We also reviewed the disclosures in the Annual report to ensure that they are in accordance with relevant requirements and provided meaningful and transparent information for the users of the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report continued

To the members of Van Elle Holdings plc

Overview

Coverage ¹	96% (2020: 100%) of Group profit before tax
	99% (2020: 100%) of Group revenue
	90% (2020: 100%) of Group total assets

Key audit matters	2021	2020
Recognition of revenue and attributable profits (or losses) on contracts.	✓	✓
Carrying value of goodwill in the Group financial statements.		✓
The Directors' assessment of going concern and associated disclosure in the financial statements.		✓
The valuation of legal claims against the Group and the recognition of associated insurance reimbursements assets.	✓	

Carrying value of goodwill in the Group financial statements

The carrying value of goodwill is no longer considered to be a key audit matter following the impairment charge last year.

The Directors' assessment of going concern and associated disclosure in the financial statements.

When the previous year's results were announced there was significant levels of uncertainty relating to Covid-19. While the remains uncertainty the Director's assessment of going concern, and associated disclosure in the financial statements, is no longer considered to be a key audit matter because of the continued cash reserves held by the Group and the additional headroom created by the debt facilities agreed in the year.

Valuation of legal claims

The legal and warranty claims are material and judgemental in the current year and have not been in the past.

Materiality	Group financial statements as a whole
	£400,000 based on 0.5% of revenue. (2020 – £200,000 based on 5% of normalised profit before tax)
	Given the loss reported in the period and prior period it was considered appropriate to use revenue as a benchmark rather than earnings.

¹ These are areas which have been subject to a full scope audit by the Group engagement team.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its central operations from the head office in Kirkby to support its subsidiaries day to day operations with regional offices at various locations throughout the UK. As at the statement of financial position date, the Group consists of the Parent Company, two trading subsidiaries 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.

For the non-significant UK component, ScrewFast Foundations Limited, for which trading results for one month have been accounted for following the Group acquiring the Company on 1 April 2021, the audit procedures were limited to analytical review and discussions with Group management, together with specific audit procedures in respect of stock, cash, material revenue contracts in place at the year end and at the date of acquisition and goodwill arising on consolidation as a result of the business combination in the year.

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.

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) that 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 matters continued

Key audit matter

Recognition of revenue and attributable profit (or losses) on contracts:

Refer to page 58 Significant Accounting Matters of the Audit and Risk 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. 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.

How the scope of our audit addressed the key audit matter

We obtained a breakdown of contracts making up revenue in the year which we reconciled to the revenue reported to 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.

Valuation of legal claims and recognition of related insurance reimbursement asset:

Refer to page 58 Significant Accounting Matters of the Audit and Risk Committee Report and notes 3, 4 and 27 to the financial statements for the Directors' disclosures of the related accounting policies, critical judgements and estimates.

Provisions are recognised in respect of legal claims against the business when in the Directors' judgement it is probable that a liability will arise to settle or defend a claim against the business for work done prior to the year end.

To the extent that the Group holds insurance policies to mitigate the losses arising as a result of settling the claims a separate insurance reimbursement asset is recognised if the recovery of such an asset is deemed virtually certain.

Forming an estimate for the costs of defending or settling the claims involves a significant uncertainty and assessing that it is appropriate to recognise the associated insurance reimbursement asset or not is a significant judgement. The judgements and estimates involved 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 summary of the claims in the year together with the Board's assessment of the likely costs of defending or settling the claims.

We agreed the analysis to the amounts included in the financial statements.

For material items management had obtained analysis from an independent expert witness engaged by the Group's insurers to assess the quantum of various heads of claims which informed management's own assessment of quantum.

We met with the expert witness and confirmed his experience and credentials to appraise the basis of the claims along with his independence to the Group and detailed scope of work. We discussed his assessment of the claims and quality of the supporting evidence from the claimants in each case.

For material items we challenged management's assessment by engaging with legal advisors, engaged by the Group's insurer, to understand the legal basis of the claims and the relevant defence arguments. We corroborated management's explanation of the background to the claims with the legal advisor's assessment.

We engaged directly with the Group's insurance provider and obtained written confirmation of the extent of insurance cover in place for relevant claims and that the claims were covered and agreed the insurance reimbursement asset to the confirmation from the insurance providers.

Key observations

We consider the process adopted by management in order to estimate the quantum of the legal claims provision to be robust and consistent with independent expert analysis. We consider the level of the insurance reimbursement asset to have been correctly recognised.

Independent auditor's report continued

To the members of Van Elle Holdings plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
Materiality	£400,000	£200,000	£130,000	£128,000
Basis for determining materiality	0.5% revenue	5% normalised profit	2% gross assets	2% gross assets
Rationale for the benchmark applied	Given that this is the second concurrent year of loss, profit before tax is no longer considered to be an appropriate benchmark, and in the current economic climate, revenue is measure used by stakeholders to assess the Group's performance through the COVID-19 pandemic.	Earnings is a key measure of performance of the Group.	Total assets is considered an appropriate benchmark as the main purpose of the Parent Company is to hold the investments in subsidiaries.	
Performance materiality	£260,000	£130,000	£84,000	£83,000
Basis for determining performance materiality	65% of materiality which is considered appropriate to mitigate potential aggregation risk across the various financial statement areas. These levels have been applied in determining the testing approach and sample sizes.			

Component materiality

Materiality applied to the significant trading component of the Group was set at £380,000 using a benchmark of 0.5% of revenue for the year (2020: £190,000 – 5% of profit before tax) and restricted to 95% of Group materiality. In the audit this component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £8,000 (2020: £5,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>In light of the knowledge and understanding of the Group and 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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group based on our understanding of the Group and sector experience and discussions with management. The most significant considerations for the Group are the Companies Act 2006, corporate taxes and VAT and employment tax legislation and the Health and Safety at Work Act.
- We enquired of management and obtained and reviewed supporting documentation, concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Independent auditor's report continued

To the members of Van Elle Holdings plc

Auditor's responsibilities for the audit of the financial statements continued

Extent to which the audit was capable of detecting irregularities, including fraud continued

Based on our understanding of the environment and assessment of the incentive and opportunity for fraud we carried out the following procedures:

- We reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries of management through our review of Board minutes.
- We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override. We also tested the consolidation journals and other adjustments made in the preparation of the financial statements.
- We reviewed the Company's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We critically assessed the appropriateness and tested the application of the revenue and profit recognition policies as summarised in the key audit matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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

Birmingham, UK

16 August 2021

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

Within this section

- 76 Consolidated statement of comprehensive income
- 77 Consolidated statement of financial position
- 78 Consolidated statement of cash flows
- 79 Consolidated statement of changes in equity
- 80 Notes to the consolidated financial statements
- 105 Parent company statement of financial position
- 105 Parent company statement of changes in equity
- 106 Notes to the parent company financial statements
- 109 Shareholder information
- 109 Corporate information

Consolidated statement of comprehensive income

For the year ended 30 April 2021

	Note	2021 £'000	2020 £'000
Revenue	6	84,368	84,373
Cost of sales		(62,365)	(61,794)
Gross profit		22,003	22,579
Administrative expenses		(23,320)	(25,131)
Credit loss impairment charge	19	(81)	(299)
Other operating income	7	597	1,242
Operating loss	9	(801)	(1,609)
Operating loss before share-based payments and other non-underlying items		(553)	(257)
Share-based payments	30	(153)	(116)
Other non-underlying items	8	(95)	(1,236)
Operating loss	9	(801)	(1,609)
Finance expense	11	(607)	(654)
Finance income	11	9	24
Loss before tax		(1,399)	(2,239)
Income tax expense	12	(13)	(216)
Loss after tax and total comprehensive loss for the year attributable to shareholders of the parent		(1,412)	(2,455)
Earnings per share (pence)			
Basic	14	(1.3)	(3.0)
Diluted	14	(1.3)	(3.0)

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

The notes on pages 80 to 104 form part of these financial statements.

Consolidated statement of financial position

As at 30 April 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	15	38,243	38,566
Investment property	16	820	829
Intangible assets	17	3,772	1,517
		42,835	40,912
Current assets			
Inventories	18	3,022	2,702
Trade and other receivables	19	32,038	12,633
Corporation tax receivable		84	854
Cash and cash equivalents		8,518	12,188
Assets classified as held for sale	20	—	683
		43,662	29,060
Total assets		86,497	69,972
Current liabilities			
Trade and other payables	21	20,833	11,579
Loans and borrowings	22	230	—
Lease liabilities	23	3,110	3,875
Provisions	27	7,635	241
		31,808	15,695
Non-current liabilities			
Loans and borrowings	22	582	—
Deferred consideration	24	1,521	—
Lease liabilities	23	6,307	7,461
Deferred tax	28	2,294	1,572
		10,704	9,033
Total liabilities		42,512	24,728
Net assets		43,985	45,244
Equity			
Share capital	29	2,133	2,133
Share premium	29	8,633	8,633
Other reserve		5,807	5,807
Retained earnings		27,412	28,671
Total equity		43,985	45,244

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2021 and were signed on its behalf by:

Graeme Campbell
Chief Financial Officer

The notes on pages 80 to 104 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 April 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	32	773	8,113
Income tax received/(paid)		1,408	(679)
Net cash generated from operating activities		2,181	7,434
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,135)	(2,373)
Disposal of property, plant and equipment		899	467
Disposal of assets held for sale		700	—
Acquisition of subsidiary, net of cash acquired		(780)	—
Purchases of intangibles		—	(418)
Net cash absorbed in investing activities		(1,316)	(2,324)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		—	6,666
Share issue transaction costs		—	(326)
Repayment of bank borrowings		(12)	(975)
Repayments of Invest to Grow loan		—	(15)
Principal paid on lease liabilities		(3,930)	(4,839)
Interest paid on lease liabilities		(553)	(612)
Interest paid on loans and borrowings		(49)	(42)
Interest received		9	24
Dividends paid		—	(800)
Net cash absorbed in financing activities		(4,535)	(919)
Net (decrease)/increase in cash and cash equivalents		(3,670)	4,191
Cash and cash equivalents at beginning of year		12,188	7,997
Cash and cash equivalents at end of year		8,518	12,188

The notes on pages 80 to 104 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 April 2021

	Share capital £'000	Share premium £'000	Other reserve £'000	Non-controlling interest £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 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
Total comprehensive income	—	—	—	—	(1,412)	(1,412)
Share-based payment expense	—	—	—	—	153	153
Total changes in equity	—	—	—	—	(1,259)	(1,259)
Balance at 30 April 2021	2,133	8,633	5,807	—	27,412	43,985

The notes on pages 80 to 104 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 April 2021

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 2021. A list of subsidiaries and their countries of incorporation is presented in note 5 of the parent company financial statements on page 107.

Van Elle Holdings plc is a public limited company incorporated and domiciled in the UK under the Companies Act 2006 and limited by shares. 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 16 August 2021.

2. Basis of preparation

Basis of accounting

The Group financial statements have been prepared in accordance with International Accounting standards in conformity with the requirements of the Companies Act 2006. 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 Group’s order book and the pipeline of potential future orders;
- the borrowing facilities available to the Group; and
- the extent of liabilities from ongoing claims and associated insurance cover.

The Group has reduced the total level of debt during the year by £2.8m. The only new debt finance in the year is that resulting from the acquisition of ScrewFast Foundations Limited on 1 April 2021. Remaining debt finance as at 30 April 2021 relates to HP agreements with a maximum maturity date of August 2025 and fixed term loans with a maximum maturity date of July 2026. Loan liabilities have no security or financial covenants and include CBILS facilities.

In October 2020 the Group secured up to £11m of asset backed lending facilities on a revolving basis over four years secured against the Group’s receivables and certain tangible assets. There are no financial covenants associated with the facilities and they remain undrawn to date. The undrawn overdraft facility with Lloyds Banking Group of £2.5m came to an end in October 2020 when the asset backed lending facilities were established.

Detailed forecasts have been prepared for the period to 31 August 2022. These forecasts reflect a continuation of the post-COVID-19 recovery and demonstrate a healthy cash flow and headroom across the period to August 2022.

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.

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

Whilst not defined under International Accounting Standards, 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 2020

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:

- 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); and
- COVID-19-related Rent Concessions – Amendment to IFRS 16 Leases (effective 1 June 2020).

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:

- 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.

For performance obligations where the customer does not simultaneously receive and consume the benefits (e.g. designs, 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).

Where the performance obligations within a contract are not substantially the same and do not have the same pattern of transfer to the customer, revenue is recognised as progress towards complete satisfaction of the performance obligations over time using the input method. Progress is determined based on costs incurred to date.

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

3. Significant accounting policies continued

Revenue continued

Ground Engineering Services

The performance obligations and transaction price are defined within signed contracts between the customer and the Group. Each individual service is not considered a separate performance obligation. For performance obligations where the customer does not simultaneously receive and consume the benefits (e.g. interpretative reports and testing) the work performed by the Group does not create or enhance an asset that the customer controls. Revenue for these performance obligations is recognised at a point in time (e.g. on delivery of report). Costs relating to these performance obligations are capitalised and fully amortised at the point in time when the performance obligation is fully satisfied. Contracts may also contain a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (e.g. bore hole drilling). This is classified as a series as an asset is enhanced that the customer controls, each distinct 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.

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.

3. Significant accounting policies continued

Other non-underlying items

The Group's income statement separately identifies other non-underlying 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-underlying items separately provides an additional understanding of the performance of the Group. Other non-underlying 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.

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
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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.

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

3. Significant accounting policies continued

Intangible assets continued

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.

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.

3. Significant accounting policies continued

Financial assets and liabilities continued

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.

Government grants relating to the Coronavirus Job Retention Scheme are recognised in the statement of comprehensive income within cost of sales and administration expenses over the period necessary to match the grant on a systematic basis to the costs that they are intended to compensate.

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).

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

3. Significant accounting policies continued

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 three equity-settled share-based payment plans, details of which can be found in note 29 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.

Contingent consideration

Contingent consideration is classified as a liability and is measured at fair value on the acquisition date. At each future reporting date contingent consideration will be remeasured to fair value with changes included in the income statement in the post-combination period.

Business combinations

The acquisition method of accounting is used in accounting for the acquisition of businesses. In accordance with IFRS 3 Business Combinations, the assets and liabilities of the acquired entity are measured at fair value. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within 12 months of the acquisition date and are affected from the date of acquisition.

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.

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 leasing standard, IFRS 16, right-of-use assets and lease liabilities 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.

4. Critical accounting estimates and judgements continued

Critical accounting judgements continued

Insurance cover for legal and other claims against the Group

When reviewing legal or warranty claims against the Group the directors assess if the claim will be covered by insurance by reference to the nature of the insurance policy and through direct engagement with the insurance brokers and underwriters and the directors make a judgement if insurance cover in respect of the claim is virtually certain in relation to the claim. In reality this is when the insurance company have confirmed that the claim against the Group is covered by the policies in place.

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. 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 and 30 April 2023. 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 size of the Group in comparison to the basket of comparable companies.

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 leasing standard, IFRS 16, a right-of-use asset and lease liability are 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 similar assets.

Legal and other claims against the group

In common with other companies in the sector the group is involved in matters which give rise to claims from customers. The board assess each claim and recognise a provision for costs of defending and concluding such claims. The estimates are based on the facts and circumstances relating to each claim against the Group and take appropriate internal and external expert advice in making their estimate. By its nature changes in the estimate would have a £ for £ impact on the level of the provision recognised.

Business combinations

In application of IFRS 3 Business Combinations the assets and liabilities of acquired entities are recognised at fair value. The fair value of the assets and liabilities of ScrewFast Foundations Limited have been determined with reference to current market values where available. Adjusting these estimates would have a consequential £ for £ impact on the level of goodwill arising on the business combination.

Contingent consideration

Contingent consideration is based on performance in the post acquisition period up to 31 August 2023. The calculation of the consideration payable is based on forecasts of future performance. Estimated future performance is based on the current order book and pipeline of work. The rate used to discount the consideration is based on the Groups incremental borrowing rate and adjusting the estimated future profitability up or down by 25% will not have a material impact on the level of consideration paid.

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

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 25 to 30. All turnover and operations are based in the UK.

Operating segments – 30 April 2021

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Revenue	27,340	29,345	27,596	87	84,368
Other operating income	—	—	—	597	597
Underlying operating profit/(loss)	295	1,035	247	(2,130)	(553)
Share-based payments	—	—	—	(153)	(153)
Other non-underlying items	—	—	—	(95)	(95)
Operating profit/(loss)	295	1,035	247	(2,378)	(801)
Finance expense	—	—	—	(607)	(607)
Finance income	—	—	—	9	9
Profit/(loss) before tax	295	1,035	247	(2,976)	(1,399)
Assets					
Property, plant and equipment	8,496	12,405	8,031	9,311	38,243
Intangible assets	26	3,476	262	8	3,772
Inventories	984	1,208	810	20	3,022
Reportable segment assets	9,506	17,089	9,103	9,339	45,037
Investment property	—	—	—	820	820
Trade and other receivables	—	—	—	32,122	32,122
Cash and cash equivalents	—	—	—	8,518	8,518
Total assets	9,506	17,089	9,103	50,799	86,497
Liabilities					
Trade and other payables	—	—	—	20,833	20,833
Provisions	—	—	—	7,635	7,635
Loans and borrowings	—	—	—	812	812
Deferred consideration	—	—	—	1,521	1,521
Lease liabilities	—	—	—	9,417	9,417
Deferred tax	—	—	—	2,294	2,294
Total liabilities	—	—	—	42,512	42,512
Other information					
Capital expenditure	96	1,154	2,231	203	3,685
Depreciation/amortisation	1,152	1,601	1,137	1,087	4,978

5. Segment information continued

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

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

6. Revenue from contracts with customers

Disaggregation of revenue – 30 April 2021

End market	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Residential	8,009	6,275	23,012	—	37,296
Infrastructure	6,765	19,302	2,396	—	28,463
Regional construction	12,602	3,768	2,112	—	18,482
Other	37	—	3	87	127
Total	27,413	29,345	27,523	87	84,368

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

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

6. Revenue from contracts with customers continued

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

Contract assets

	2021 £'000	2020 £'000
As at 1 May	1,258	1,771
Transfers from contract assets to trade receivables	(1,258)	(1,771)
Excess of revenue recognised over invoiced amount	1,651	1,258
Impairment of contract assets	—	—
As at 30 April	1,651	1,258

Contract liabilities

	2021 £'000	2020 £'000
As at 1 May	228	291
Interest on contract liabilities	—	—
Contract liabilities recognised as revenue in the period	(28)	(91)
Deposits received in advance of performance	84	28
Overpayments received	—	—
As at 30 April	284	228

7. Other operating income

	2021 £'000	2020 £'000
Research and development expenditure credit relating to prior years	205	1,003
Research and development expenditure credit relating to current year	240	239
Settlement of litigation	152	—
	597	1,242

The research and development expenditure credit relating to prior years relates to the final value of the claim for the year ended 30 April 2020 in excess of the estimate made by management in the previous financial year. The research and development expenditure credit relating to the current year is based on the management estimate of the claim relating to the year ended 30 April 2021.

8. Other non-underlying items

	2021 £'000	2020 £'000
Exceptional costs	95	652
Impairment of property	—	486
Impairment of goodwill	—	1,101
Research and development expenditure credit relating to prior years	—	(1,003)
	95	1,236

Current year exceptional costs relate to the acquisition costs for the purchase of ScrewFast Foundations Limited on 1 April 2021. Prior-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 a technical compliance irregularity concerning the final dividend for the year ended 30 April 2019.

The Group vacated the site located at Pinxton during the prior 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 was recognised in respect of this investment property.

The goodwill allocated to the General Piling division was impaired by £1,101,000 in the prior year and was considered to be non-underlying.

8. Other non-underlying items continued

Prior-year income in respect of a research and development expenditure credit claim relating to the financial years ended 2018 and 2019 was considered to be non-underlying as it related to previous financial years.

9. Operating loss

Operating loss is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	4,844	4,533
Amortisation of intangible assets	125	89
Depreciation of investment property	9	—
Impairment of investment property	—	486
Impairment of goodwill	—	1,101
Impairment of assets classified as held for sale	—	36
Lease expense:		
– Plant and machinery on short-term hire	3,911	3,116
Profit on disposal of property, plant and equipment	(272)	(107)
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	87	70
– Taxation compliance	7	20
– Non-audit services	167	27

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 annual report on remuneration on pages 65 and 66.

	2021 £'000	2020 £'000
Employee benefits expenses (including Directors):		
Wages and salaries	24,801	24,921
Coronavirus Job Retention Scheme	(1,660)	(509)
Social security contributions and similar taxes	2,616	2,686
Defined contribution pension cost	801	722
Share-based payments (note 30)	153	116
	26,711	27,936
Directors and key management personnel:		
Wages and salaries	1,462	1,789
Defined contribution pension cost	69	74
Share-based payments (note 30)	147	33
	1,678	1,896

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 65.

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

	2021 Number	2020 Number
Administrative	166	169
Operative	348	348
	514	517

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

11. Finance income and expense

	2021 £'000	2020 £'000
Finance income		
Interest received on bank deposits	9	24
Finance expense		
Finance leases	553	612
Loans and borrowings	7	—
Unwinding of discount on deferred consideration	5	—
Charges on undrawn facilities	42	42
	607	654

12. Income tax expense

	2021 £'000	2020 £'000
Current tax (credit)/expense		
Current tax on profits for the year	—	—
Adjustment for over provision in the prior period	(554)	(59)
Total current tax credit	(554)	(59)
Deferred tax expense		
Origination and reversal of temporary differences	282	195
Adjustment for over provision in the prior period	285	(66)
Effect of decreased tax rate on opening balance	—	146
Total deferred tax expense	567	275
Income tax expense	13	216

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:

	2021 £'000	2020 £'000
Loss before income taxes	(1,399)	(2,239)
Tax using the standard corporation tax rate of 19% (2020: 19%)	(266)	(425)
Adjustments for over provision in previous periods	(269)	(125)
Expenses not deductible for tax purposes	121	223
Income not taxable	(39)	(195)
Unused tax losses for which no deferred tax asset has been recognised	466	592
Tax rate changes	—	146
Total income tax expense	13	216

During the year ended 30 April 2021, corporation tax has been calculated at 19% of estimated assessable profit for the year (2020: 19%).

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 30 April 2021 continue to be measured at 19%.

13. Dividends

	2021 £'000	2020 £'000
Final dividend – year ended 2020		
£nil per ordinary share paid during the year (2020: 1.0p)	—	800
Interim dividend – year ended 2021		
£nil per ordinary share paid during the year (2020: £nil)	—	—
	—	800

No final dividend is proposed for the year ended 30 April 2021.

14. Earnings per share

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

	2021 '000	2020 '000
Basic weighted average number of shares	106,667	81,534
	£'000	£'000
Loss for the year	(1,412)	(2,455)
Add back/(deduct):		
Share-based payments	153	116
Other non-underlying items	95	1,236
Tax effect of the above	—	(124)
Underlying loss for the year	(1,164)	(1,227)
	2021 Pence	2020 Pence
Earnings per share		
Basic	(1.3)	(3.0)
Diluted	(1.3)	(3.0)
Basic – excluding share-based payments and other non-underlying items	(1.1)	(1.5)
Diluted – excluding share-based payments and other non-underlying items	(1.1)	(1.5)

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 106,666,650 ordinary shares (2020: 81,534,246), 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 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 1 May 2020	8,802	46,654	9,011	477	64,944
Additions	25	2,124	1,535	—	3,684
Additions on business combination	—	1,366	—	131	1,497
Disposals	—	(1,609)	(1,566)	(4)	(3,179)
At 30 April 2021	8,827	48,535	8,980	604	66,946
Accumulated depreciation					
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 1 May 2020	1,292	19,468	5,268	350	26,378
Charge for the year	401	3,256	1,138	48	4,843
Disposals	—	(1,202)	(1,312)	(4)	(2,518)
At 30 April 2021	1,693	21,522	5,094	394	28,703
Net book value					
At 30 April 2020	7,510	27,186	3,743	127	38,566
At 30 April 2021	7,134	27,012	3,887	210	38,243

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

15. Property, plant and equipment continued

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 2020	3,659	21,410	1,737	26,806
Additions	—	14	1,535	1,549
Additions on business combination	—	629	—	629
Transferred to owned assets	—	(5,539)	(614)	(6,153)
At 30 April 2021	3,659	16,514	2,658	22,831
Accumulated depreciation				
At 1 May 2020	121	5,880	536	6,537
Charge for the year	119	1,186	178	1,483
Transferred to owned assets	—	(2,158)	(261)	(2,419)
At 30 April 2021	240	4,908	453	5,601
Net book value				
At 30 April 2020	3,538	15,530	1,201	20,269
At 30 April 2021	3,419	11,606	2,205	17,230

16. Investment property

	Land and buildings £'000
Cost	
At 1 May 2020 and 30 April 2021	1,315
Accumulated depreciation	
At 1 May 2020	486
Charge for the year	9
At 30 April 2021	495
Net book value	
At 30 April 2020	829
At 30 April 2021	820

In the prior year 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 was recognised in the statement of comprehensive income in the previous year.

17. Intangible assets

	Goodwill £'000	Software £'000	Development costs £'000	Total £'000
Cost				
At 1 May 2019	2,179	231	—	2,410
Additions	—	—	418	418
At 1 May 2020	2,179	231	418	2,828
Additions	2,380	—	—	2,380
At 30 April 2021	4,559	231	418	5,208
Accumulated amortisation				
At 1 May 2019	—	121	—	121
Charge for the year	—	51	38	89
Impairment	1,101	—	—	1,101
At 1 May 2020	1,101	172	38	1,311
Charge for the year	—	27	98	125
At 30 April 2021	1,101	199	136	1,436
Net book value				
At 30 April 2020	1,078	59	380	1,517
At 30 April 2021	3,458	32	282	3,772

17. Intangible assets continued

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:

	2021 £'000	2020 £'000
Specialist Piling	890	890
Ground Engineering Services	188	188
ScrewFast	2,380	—
	3,458	1,078

The carrying value of goodwill allocated to the Specialist Piling and Rail, Ground Engineering Services and ScrewFast CGUs 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 2022 which takes into account secured orders, the order pipeline, business plans and management actions and forecast future cash flows for the period to 30 April 2025. Subsequent cash flows are extrapolated using an estimated growth rate of 2% in line with long-term CPI inflation expectations.

The rate used to discount the projected cash flows is a pre-tax risk-adjusted discount rate of 12.7% (2020: 12.0%) based on the weighted average cost of capital of a basket of comparable companies plus a risk premium. The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 41 to 44, would also impact each CGU in a similar manner.

The key assumptions to which the assessment of the recoverable amounts of CGUs is sensitive are the projected operating profit for the period to 30 April 2023 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, do not indicate an impairment of goodwill is required.

The sensitivity analysis performed indicates that reasonable changes in discount rate or growth rates would not result in an impairment of goodwill as such the board is satisfied that no impairment is required.

18. Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	2,065	1,591
Work in progress	957	1,111
	3,022	2,702

There were no impairment losses relating to damaged or obsolete inventories in the current or previous periods. The cost of materials recognised as an expense within cost of sales is £29,591,000 (2020: £30,835,000).

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

19. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	16,744	9,060
Less: provision for impairment	(271)	(190)
Trade receivables – net	16,473	8,870
Receivables from related parties	—	—
Financial assets classified as amortised costs	16,473	8,870
Contract assets	1,651	1,258
Prepayments	2,886	406
Other receivables	11,028	2,099
	32,038	12,633

Other receivables of £11.0m relate to the receivables in respect of the research and development expenditure credit claim for the financial years ended 30 April 2019, 2020 and 2021, VAT recoverable and insurance recoveries.

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.

As at 30 April 2021 the lifetime expected loss provision for trade receivables is as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Current	0.0%	8,000	—
0–30 days past due	0.5%	7,075	35
More than 30 days past due	1.0%	658	6
More than 60 days past due	15.0%	218	32
More than 90 days past due	25.0%	793	198
		16,744	271

As at 30 April 2020 the lifetime expected loss provision for trade receivables was 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

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

	2021 £'000	2020 £'000
At 1 May	190	48
Increase during the year	81	299
Receivable written off during the year as uncollectable	—	(157)
Unused amounts reversed	—	—
At 30 April	271	190

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 2021 the vacated Dereham site was sold for £700,000 generating a profit on disposal of £30,000.

21. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	17,324	8,519
Other payables	156	144
Accruals	2,128	899
Financial liabilities measured at amortised cost	19,608	9,562
Contract liabilities	285	228
Tax and social security payments	940	1,789
	20,833	11,579

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

22. Loans and borrowings

	2021 £'000	2020 £'000
Non-current		
Bank loans secured	582	—
Current		
Bank loans secured	230	—
Total loans and borrowings	812	—
Maturity of loans and borrowings		
Due within one year	230	—
Between two and five years	582	—
After more than five years	—	—
	812	—

The Group has recognised the above loans as part of the business combination during the year. The carrying value of loans and borrowings approximates fair value.

Loan liabilities include £0.6m of CBILS finance and all loan facilities have no security or financial covenants.

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.

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 three properties with fixed repayments. The remaining lease periods as at 30 April 2021 in respect of these property leases are 52, 3 and 2 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 2020	3,961	6,817	558	11,336
Additions	—	—	1,535	1,535
Additions on business combination	37	439	—	476
Interest expense	165	335	53	553
Principal and interest paid on lease liabilities	(230)	(3,853)	(400)	(4,483)
At 30 April 2021	3,933	3,738	1,746	9,417

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

23. Lease liabilities continued

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

	Carrying value £'000
Due less than 3 months	895
Due between 3 and 12 months	2,215
Current lease liabilities	3,110
Due between 1 and 2 years	1,413
Due between 2 and 5 years	1,283
Due after 5 years	3,611
Non-current lease liabilities	6,307

The maturity of undiscounted lease liabilities is disclosed in note 25.

24. Deferred consideration

The deferred consideration relates to the acquisition of ScrewFast Foundations Limited for consideration of £1,760,000 plus £780,000 payable on 31 August 2023 and up to a further £1,175,000 of which a maximum of £65,000 is payable on 31 August 2022 and a maximum of £1,110,000 is payable on 31 August 2023 subject to achievement of performance criteria. The maximum £65,000 payable on 31 August 2022 is subject to performance over the period 1 June 2021 to 31 May 2022 and the maximum £1,110,000 payable on 31 August 2023 is subject to performance over the period 1 April 2021 to 31 May 2023.

Management's assumptions are that of the further potential payment of £1,175,000 subject to performance criteria, £925,000 will be payable based on current forecasts of performance over the relevant performance periods.

The discounted amounts payable due beyond one year as at 30 April 2021 is £1,521,000. Amounts charged to finance expenses in the post-acquisition period are £5,000.

25. Reconciliation of financing liabilities

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

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Non-current lease liabilities £'000	Current lease liabilities £'000	Non-current deferred consideration £'000	Total £'000
At 1 May 2020	—	—	7,461	3,875	—	11,336
Cash flows	—	(14)	—	(4,483)	—	(4,497)
Non-cash flows:						
Additions to lease liabilities	—	—	1,194	341	—	1,535
Amounts recognised on business combinations	582	242	303	173	1,516	2,816
Liabilities classified as non-current at 30 April 2020 becoming current in the year ending 30 April 2021	—	—	(2,651)	2,651	—	—
Unwind of discount on deferred consideration	—	—	—	—	5	5
Interest accruing in the period	—	2	—	553	—	555
At 30 April 2021	582	230	6,307	3,110	1,521	11,750

26. 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	
	2021 £'000	2020 £'000
Financial assets		
Cash and cash equivalents	8,518	12,188
Trade and other receivables	16,473	8,870
Contract assets	1,651	1,258
Total financial assets	26,642	22,316

26. Financial instruments and risk management continued

Financial instruments by category continued

	Amortised cost	
	2021 £'000	2020 £'000
Current financial liabilities		
Trade and other payables	19,608	9,562
Secured loans	230	—
Lease liabilities	3,110	3,875
Total current financial liabilities	22,948	13,437
Non-current financial liabilities		
Secured loans	582	—
Lease liabilities	6,307	7,461
Deferred consideration	1,521	—
Total non-current financial liabilities	8,410	7,461
Total financial liabilities	31,358	20,898

Capital management

The Group's capital structure is kept under constant review, taking account of the need for, and availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown in note 33, and equity attributable to equity holders of the parent as shown in the consolidated statement of financial position. The Group maintains a balance between certainty of funding and a flexible, cost-effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to ensure that its capital structure is appropriate to support this balance and the Group's operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Financial risk management

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

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

Credit risk

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

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

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

Liquidity risk

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

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for 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 asset based lending facility.

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

26. Financial instruments and risk management continued

Liquidity risk continued

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 2021					
Trade and other payables	19,609	19,609	19,609	—	—
Secured loans	812	994	47	231	716
Lease liabilities (note 23)	9,417	13,337	924	2,267	10,146
Deferred consideration	1,521	1,665	—	—	1,665
	31,359	35,605	20,580	2,498	12,527
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

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.

27. Provisions

	Warranty provision £'000	Legal and other claims £'000	Total £'000
At 1 May 2020	40	201	241
Utilised	(47)	—	(47)
Additional provision	200	7,297	7,497
Released unused	(56)	—	(56)
At 30 April 2021	137	7,498	7,635

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.

In common with comparable companies in the sector, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims by customers. The legal and other claims provision include costs that are likely to be incurred in defending and concluding ongoing claims against the Group. The Group carries insurance and any reimbursements, where material and virtually certain, are treated as separate assets. In the statement of comprehensive income, the expense relating to a provision is presented net of the amount recognised for the insurance reimbursement. No separate disclosure is made of the detail of such claims or proceedings or the costs recovered by insurance, as the negotiations are ongoing in respect of the claims and further disclosure could be seriously prejudicial to the Group.

28. Deferred tax

	Accelerated allowances £'000	Unutilised losses £'000	Short-term timing differences £'000	Share-based payments £'000	Total £'000
At 1 May 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
On business combinations	261	(106)	—	—	155
Charge to income statement	896	(329)	—	—	567
Charge to equity	—	—	—	—	—
At 30 April 2021	2,737	(435)	(8)	—	2,294

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020: 19%), being the rate at which deferred tax is expected to reverse in the future (see note 12).

The Group has £1,783,000 (2020: £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.

29. Share capital

	Number of shares '000	Ordinary shares £'000	Share premium £'000
Authorised			
At 1 May 2020 and 30 April 2021	106,667	2,133	8,633

All shares are allotted, issued and fully paid.

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 2021, amounted to 6,478,575 (2020: 4,050,453). These shares will only be issued subject to satisfying certain performance criteria (note 29).

30. Share-based payments

The Company operates three share-based incentive schemes for employees, known as the Van Elle Holdings plc Long Term Incentive Plan ("LTIP"), the Van Elle Holdings plc Company Share Option Plan ("CSOP") and the Van Elle Holdings plc Save as You Earn Plan ("SAYE"). All schemes are United Kingdom tax authority-approved schemes and the CSOP and SAYE schemes are tax-advantaged schemes.

The Group recognised total expenses of £153,000 (2020: £116,000) in respect of equity-settled share-based payment transactions in the year.

Long Term Incentive Plan ("LTIP")

The Group operates an LTIP for senior executives. Share options were granted on 30 September 2020 to senior executives and management. 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 ROCE performance.

Previous grants of options in August 2018 and August 2019 have not yet vested. The extent to which these options will vest is dependant 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 2021, are shown below.

	2021 Number	2020 Number
At 1 May	2,027,194	1,246,395
Lapsed in the year	—	(915,000)
Granted in the year	2,592,696	1,940,366
Forfeited in the year	—	(244,567)
At 30 April	4,619,890	2,027,194

The weighted average exercise price for all options is £0.02. Of the total number of options outstanding at 30 April 2021, none had vested or were exercisable.

The weighted average fair value of each option granted during the year was £0.29 (2020: £0.38). The weighted average remaining contractual life for share options outstanding at the balance sheet date was 107 months (2020: 110 months).

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

	2021	2020
Option pricing model used	Monte-Carlo simulation/Black-Scholes	Monte-Carlo simulation/Black-Scholes
Weighted average share price at grant date	£0.36	£0.41
Exercise price	£0.02	£0.02
Expected life	3 years	3 years
Expected volatility	56.02%	38.61%
Dividend yield	4.94%	4.94%
Risk-free interest rate (zero-coupon bonds)	0.32%	0.47%
Fair value of option (weighted average)	£0.29	£0.38

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.

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

30. Share-based payments continued

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.

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 2021 is shown below.

	2021 Number	2020 Number
At 1 May	1,559,448	1,174,448
Granted – 16 August 2019	—	565,000
Forfeited in the year	(15,000)	(180,000)
At 30 April	1,544,448	1,559,448

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 78 months (2020: 90 months).

Of the total number of options outstanding at 30 April 2021, 1,014,448 had vested or were exercisable.

The following information is relevant in the determination of the fair value of options granted during the prior 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

Save As You Earn Plan ("SAYE")

The Group operates a SAYE scheme 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 2021, is shown below.

	2021 Number	2020 Number
At 1 May	1,343,811	1,752,719
Granted in the year	—	—
Forfeited in the year	(149,574)	(408,908)
At 30 April	1,194,237	1,343,811

The weighted average remaining contractual life for share options outstanding at the balance sheet date was 95 months (2020: 107 months).

The weighted average fair value of each option granted during the year was £nil (2020: £nil).

31. 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.

32. Cash generated from operations

	2021 £'000	2020 £'000
Operating loss	(801)	(1,609)
Adjustments for:		
Depreciation of property, plant and equipment	4,844	4,533
Amortisation of intangible assets	125	89
Depreciation of investment property	9	—
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	(272)	(107)
Write off of non-controlling interest	—	(18)
Share-based payment expense	153	116
Operating cash flows before movement in working capital	4,058	4,627
Decrease in inventories	869	180
(Increase)/decrease in trade and other receivables	(10,688)	7,925
Increase/(decrease) in trade and other payables	6,437	(4,624)
Increase in provisions	97	5
Cash generated from operations	773	8,113

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

	2020 £'000	Cash flows £'000	Non-cash flows £'000	2021 £'000
Cash at bank	12,151	(3,671)	—	8,480
Cash in hand	37	1	—	38
Cash and cash equivalents	12,188	(3,670)	—	8,518
Loans and borrowings	—	14	(826)	(812)
Lease liabilities	(11,336)	4,483	(2,564)	(9,417)
Net funds/(debt) including IFRS 16 property and vehicle lease liabilities	852	827	(3,390)	(1,711)

Cash flows in respect of lease liabilities include interest paid on leases of £553,000 (2020: £612,000) and principal paid of £3,930,000 (2020: £4,839,000).

Non-cash flows in respect of loans and borrowings relates to liabilities introduced on acquisition of ScrewFast Foundations Limited.

Non-cash flows in respect of lease liabilities include the purchase of £1,535,000 (2020: £975,000) of fixed assets on lease, £476,000 (2020: £nil) introduced on the acquisition of ScrewFast Foundations Limited and interest expense of £553,000 (2020: £612,000).

	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	—	—
Finance leases	(11,239)	5,451	(5,548)	(11,336)
Net funds/(debt) including IFRS 16 property and vehicle lease liabilities	(4,232)	10,632	(5,548)	852

34. Capital commitments

	2021 £'000	2020 £'000
Contracted but not provided for	776	44

Notes to the consolidated financial statements continued

For the year ended 30 April 2021

35. Related party transactions

Details of Directors' remuneration and key management personnel remuneration are given in note 10.

Other related party transactions are as follows:

Related party transaction	Type of transaction	Transaction amount		Balance owed	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Dividends paid to key management personnel	Dividends received	—	53	—	—

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 2021 or 2020 regarding related party debtors.

36. Business combinations

On 1 April 2021 the Group acquired the entire share capital of ScrewFast Foundations Limited for consideration of £1,760,000 plus £780,000 payable on 31 August 2023 and up to a further £1,175,000 of which a maximum of £65,000 is payable on 31 August 2022 and a maximum of £1,110,000 is payable on 31 August 2023 subject to achievement of performance criteria. The maximum £65,000 payable on 31 August 2022 is subject to performance over the period 1 June 2021 to 31 May 2022 and the maximum £1,110,000 payable on 31 August 2023 is subject to performance over the period 1 April 2021 to 31 May 2023.

ScrewFast Foundations Limited is a specialist helical pile design, fabrication and installation business with patented systems which has been trading for 20 years. The acquisition of ScrewFast allows the Group to broaden its product offering.

The cash outflow of £780,000 under purchase of subsidiary, net of cash acquired, in the consolidated statement of cash flows relates to the following:

	2021 £'000
Initial consideration	1,760
Discounted deferred consideration	1,517
Total consideration	3,277

No debt was settled at the acquisition date. Details of the lease liabilities and loans and borrowings acquired at the acquisition date are shown in the table below which details the effect on the Group's assets and liabilities at the acquisition date of 1 April 2021:

	2021 Fair value and book value £'000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	1,460
Stock	1,189
Trade and other receivables	1,504
Cash	980
Trade and other payables	(2,818)
Loans and borrowings	(824)
Lease liabilities	(439)
Deferred tax liability	(155)
Net identifiable assets	897
Goodwill	2,380
	3,277

The cash acquired as part of the purchase was £980,000 resulting in an outflow under purchase of subsidiary, net of cash acquired, in the consolidated statement of cash flows of £780,000. No debt was settled as part of the acquisition.

The post-acquisition period includes revenue of £1,026,000 and operating profit of £108,000.

Acquisition costs of £95,000 were incurred as part of the business combination. These costs have been classified as exceptional costs in the year ended 30 April 2021 as detailed in note 8.

Parent company statement of financial position

As at 30 April 2021

	Note	2021 £'000	2020 Restated £'000
Non-current assets			
Investments	5	6,668	6,515
Trade and other receivables	6	10,375	10,375
		17,043	16,890
Total assets		17,043	16,890
Current liabilities			
Trade and other payables	7	31	31
		31	31
Net assets		17,012	16,859
Equity			
Share capital	9	2,133	2,133
Share premium	9	8,633	8,633
Other reserve		5,807	5,807
Retained earnings		439	286
Total equity		17,012	16,859

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year amounted to £nil (2020: £800,000).

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2021 and were signed on its behalf by:

Graeme Campbell
Chief Financial Officer

The notes on pages 106 to 108 form part of these financial statements.

Parent company statement of changes in equity

For the year ended 30 April 2021

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 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
Share-based payment expense	—	—	—	153	153
Balance at 30 April 2021	2,133	8,633	5,807	439	17,012

The notes on pages 106 to 108 form part of these financial statements.

Notes to the parent company financial statements

For the year ended 30 April 2021

1. General information

These financial statements were approved and authorised for issue by the Board of Directors on 16 August 2021.

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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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

	2021 £'000	2020 £'000
Cost		
At 30 April	6,668	6,515

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
ScrewFast Foundations Limited	Ordinary	100%	Design, supply and installation of helical piles

The registered office of all subsidiary undertakings is Southwell Lane Industrial Estate, Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG17 8GJ.

6. Trade and other receivables

	2021 £'000	2020 Restated £'000
Receivables from related parties	—	—
Receivables from Group undertakings	10,735	10,375
Financial assets classified as loans and receivables	10,735	10,375

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

	2021 £'000	2020 £'000
Other payables	31	31
Financial liabilities measured at amortised cost	31	31
	31	31

Notes to the parent company financial statements continued

For the year ended 30 April 2021

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	
	2021 £'000	2020 Restated £'000
Financial assets		
Trade and other receivables	10,735	10,375
Total financial assets	10,735	10,375

	Amortised cost	
	2021 £'000	2020 £'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 26 of the consolidated financial statements.

9. Share capital

Authorised	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 1 May 2020 and 30 April 2021	106,667	2,133	8,633

All shares are allotted, issued and fully paid.

10. Share-based payments

For detailed disclosures of share-based payments granted to employees refer to note 29 of the consolidated financial statements.

11. Reserves

The nature and purpose of each reserve is provided in note 30 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 annual report on remuneration on page 65.

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 2021 was £10,375,000 (2020: £10,375,000).

13. Ultimate controlling party

The Company does not have an ultimate controlling party.

14. Prior period restatement

At 30 April 2020 trade and other receivables within current assets in the parent company statement of financial position, as originally presented, included amounts owed by group undertakings of £10,375,000. Detailed consideration of the evidence supporting this treatment has concluded that the conditions for this presentation under IAS 1 were not met and the error has been corrected within the comparative period, reclassifying the amount to non-current assets. The restated trade and other receivables due in less than one year, after this reclassification is £nil.

The correction of this error has not had any impact on previously reported profits or net assets.

Shareholder information

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 Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. Your correspondence should state Van Elle Holdings plc and the registered name and address of the shareholder.

Corporate information

Registered office and advisers

Directors

Frank Nelson (Non-Executive Chair)
David Hurcomb (Non-Executive Director)
Charles St John (Non-Executive Director)
Mark Cutler (Chief Executive Officer)
Graeme Campbell (Chief Financial Officer)

Group Company Secretary

Mark Cutler (Chief Executive Officer)
Graeme Campbell (Chief Financial Officer)

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

2 Snow Hill
Queensway
Birmingham
B4 6GA

Registrar

Link Group

10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Banker

Lloyds Bank PLC

33 Park Row
Butt Dyke House
Nottingham
NG1 6GY

Financial PR

Walbrook Public Relations

4 Lombard Street
London
EC3V 9HD



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designportfolio

Van Elle Holdings plc

Southwell Lane Industrial Estate
Summit Close
Kirkby-in-Ashfield
Nottinghamshire
NG17 8GJ

+44 (0) 1773 580580

info@van-elle.co.uk





Van Elle Holdings plc

Annual report and accounts 2021