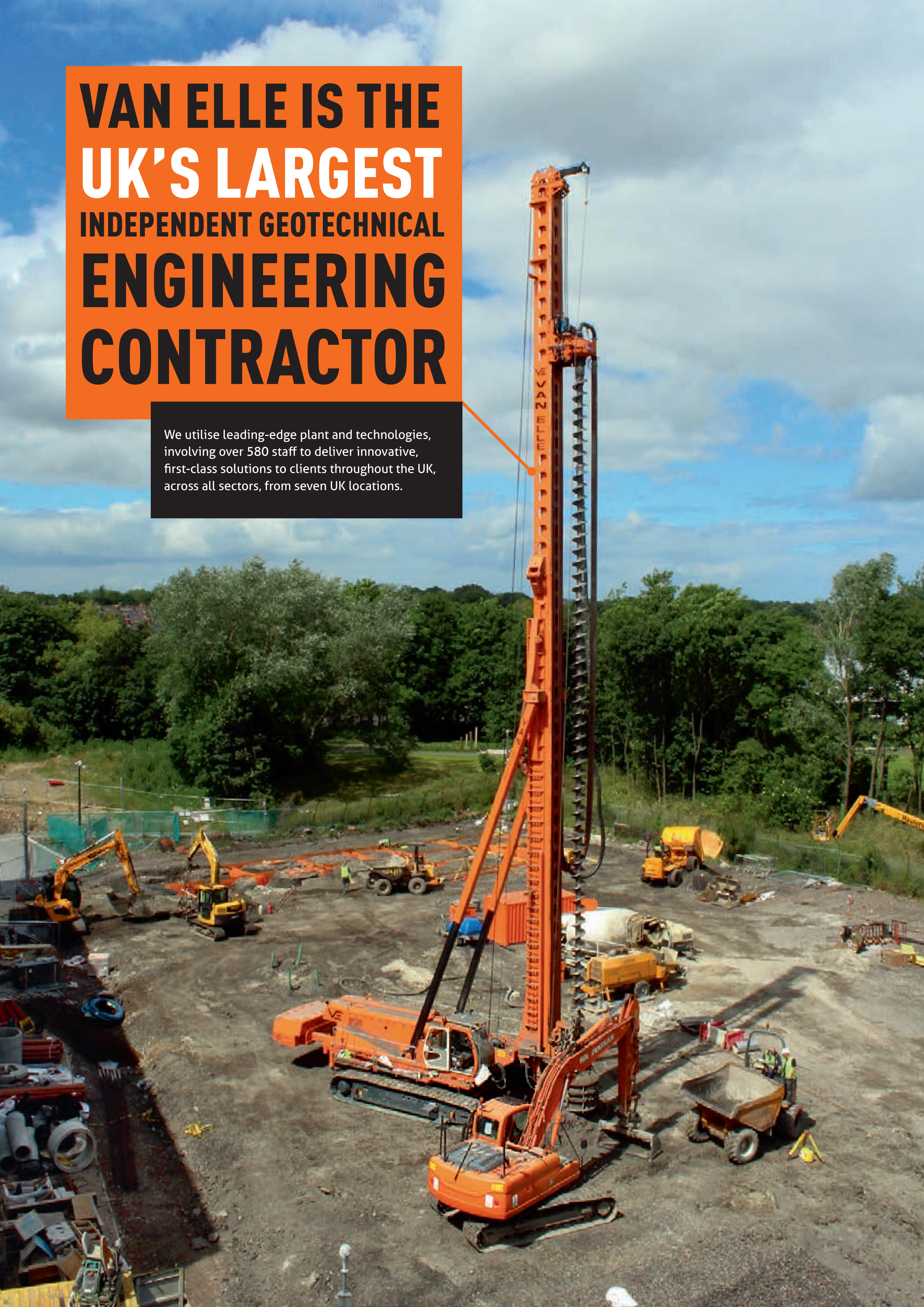
VAN ELLE
TOTAL FOUNDATION SOLUTIONS

VAN ELLE HOLDINGS PLC

# ANNUAL REPORT AND ACCOUNTS 2018

# VAN ELLE IS THE UK'S LARGEST INDEPENDENT GEOTECHNICAL ENGINEERING CONTRACTOR

We utilise leading-edge plant and technologies, involving over 580 staff to deliver innovative, first-class solutions to clients throughout the UK, across all sectors, from seven UK locations.



# Highlights

## FINANCIAL HIGHLIGHTS 2018

REVENUE (£m)

£103.9m +10.4%

| | |
|---|---|
| 2018 | 103.9 |
| 2017 | 94.1 |
| 2016 | 84.2 |

UNDERLYING OPERATING PROFIT* (£m)

£11.1m -4.0%

| | | % of turnover |
|---|---|---|
| 2018 | 11.1 | 10.7% |
| 2017 | 11.6 | 12.3% |
| 2016 | 11.1 | 13.1% |

OPERATING PROFIT (£m)

£9.7m +0%

| | | % of turnover |
|---|---|---|
| 2018 | 9.7 | 9.3% |
| 2017 | 9.7 | 10.3% |
| 2016 | 11.1 | 13.1% |

* Underlying measures exclude exceptional costs, Carillion bad debt write-off and share-based payment expenses (Note 7).

## OPERATIONAL HIGHLIGHTS

FLEET SIZE

+10.8%

SCOTLAND SALES

+6.8m

RAIL REVENUES (£M)

+£4.2m

RETURN ON CAPITAL EMPLOYED

UNDERLYING

23.5% (30.6%)

REPORTED

20.5% (25.7%)

- Delivered record turnover of £103.9m
- Grew service offering in Scotland, with revenue up 534%
- Sales up 22% in new housing and 12% in infrastructure
- Rail revenues increased by 37% on prior year
- Increased fleet from 111 to 123 rigs
- Larger rigs in General Piling strengthened breadth of offering

P14 | See how we use KPIs to measure our performance

Stay up to date with the latest news and announcements on our website:

WWW.VAN-ELLE.CO.UK

# Van Elle at a glance

## Continuing to build on our **solid foundations**

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

We have many long-standing relationships with major contractors, housebuilders and property developers, enabling us to capitalise on a range of growth opportunities nationwide.

## OUR SERVICE OFFERING

### PILING

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

### RESTRICTED ACCESS & SPECIALIST PILING

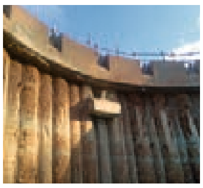
Bespoke rigs and innovative techniques to deliver solutions to specialist sectors and environments.


### SITE INVESTIGATION, TESTING & MONITORING

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

### DRILLING AND GROUTING

Consolidation of abandoned mine workings, shafts, sewers and solution features.



### EARTH SUPPORT

Design and installation of soil nails, ground anchors and rock bolts and netting.

### PRECAST CONCRETE PRODUCTS

Production of standard and bespoke foundation solutions including Smartfoot®.

## DELIVERED ACROSS OUR OPERATING DIVISIONS

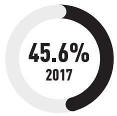
### GENERAL PILING

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

P22 | Read the operating review

REVENUE SHARE

41.5%




### SPECIALIST PILING

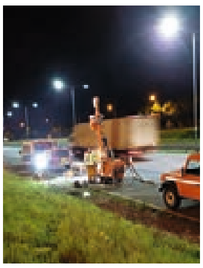
Providing a range of piling and geotechnical solutions in operationally constrained environments.

P24 | Read the operating review

REVENUE SHARE

28.8%


### GROUND ENGINEERING SERVICES



Offering a range of ground stabilisation, earth support and geotechnical services.

P26 | Read the operating review

REVENUE SHARE

16.8%


### GROUND ENGINEERING PRODUCTS

Designing, producing and installing modular foundation systems and bespoke precast concrete products.

P28 | Read the operating review

REVENUE SHARE

12.9%

## ACROSS END MARKETS

### NEW HOUSING

REVENUE SHARE

49.9%

(+22.1%) GROWTH IN YEAR

45.2%
2017

### INFRASTRUCTURE

REVENUE SHARE

31.1%

(+11.9%)

30.7%
2017

### COMMERCIAL & INDUSTRIAL

REVENUE SHARE

15.7%

(-13.1%)

20.0%
2017

### PUBLIC

REVENUE SHARE

2.1%

(-32.2%)

3.4%
2017

### AGRICULTURE/OTHER

REVENUE SHARE

1.1%

(+63.2%)

0.7%
2017

**P08** | Read more about our end markets in the market review

**P10** | See our business model


7 LOCATIONS

575 AVERAGE HEADCOUNT

(2017: 529)

## Chairman's statement

# Continuing to deliver strategic growth **from our diversified operations**

— **Adrian Barden**
Non-Executive Chairman

**HIGHLIGHTS**

- Delivered record turnover of £103.9m
- Continued expansion of service offering and geographical footprint
- Selected new CEO to start mid-August
- Progressive dividend policy recommending final dividend of 2.3p, total 3.7p for the financial year

### Dear Shareholder,

I am pleased to announce, on behalf of the Board of Van Elle Holdings plc, a positive set of results for the year ended 30 April 2018.

Although the second half of the year was impacted by the demise of Carillion with a bad debt write-off of £1.0m, and the severe weather disruption experienced in the first quarter of 2018, the team has worked hard to continue to win work and deliver this effectively.

It is thanks to this hard work that we have delivered record turnover again this year and we have solid foundations to continue to grow our operation.

### Highlights

Van Elle reported a 10.4% increase in revenue to £103.9m (2017: £94.1m) and an underlying operating profit of £11.1m (2017: £11.6m). Although 4% lower than prior year, underlying operating profit represents a healthy 10.7% underlying operating margin (2017: 12.3%). Reported operating profit for the year was £9.7m (2017: £9.7m), an operating margin of 9.3% (2017: 10.3%).

These results reflect our continuing investment in the strategic development of the Group, driven by our focus on growth markets and enabled by targeted investment in specialist rigs, further expansion of our precast concrete manufacturing capabilities and establishing ourselves as the dominant ground engineering company in the central belt of Scotland. We also opened a sales office in London during the year and have increased the coverage of our business development team with new roles covering London, the South East and also the South West of England, complementing our existing coverage across the UK.

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

### Dividend

The Board has adopted a progressive dividend policy and, having paid an interim dividend of 1.4p, is recommending a final dividend of 2.3p, making a total of 3.7p for the financial year.

### Board and governance

On behalf of the Board, I would like to express our thanks to Jon Fenton who, due to a serious medical matter within his close family, stepped down as CEO and left the Company on 18 May 2018. Jon steered the Company through a successful IPO process and the Company was listed on AIM in October 2016. We wish him well for the future.

I am very pleased to announce that, following a detailed process, Mark Cutler is joining the Board to succeed Jon as Chief Executive Officer during August, 2018. Mark has considerable sector experience at CEO level, and we look forward to him bringing this experience to Van Elle.

Also in the year we welcomed David Hurcomb as Non-Executive Director. David started on 1 November 2017 and he is Chair of the Remuneration Committee.

As a Board, we are committed to promoting the highest standards of corporate governance and ensuring effective communication with shareholders. We intend to apply the Quoted Companies Alliance Corporate Governance Code, from September 2018, complemented by applying other suitable governance as far as it is appropriate for a company of our size. Our corporate governance statement is included on pages 36 and 37.

> "We continued to progress our strategic initiatives and believe that these position the Group well for the future."

## People

Van Elle has an outstanding group of employees and continues to place great importance on their engagement. Our objective is to provide opportunities for development, personal growth and successful careers with the Company.

## Outlook

Market conditions were less supportive in the second half of the financial year, with 2018 seeing uncertainty and weak economic growth, causing construction activity to stutter. This is expected to translate into a weak first quarter to our new financial year. However, the housing sector is proving robust, with a strong performance in our second quarter expected. Against this backdrop, we continue to progress our strategic initiatives and believe that these position the Group well for the future as confidence is restored in the sector.

I look forward to updating shareholders on our continuing progress at the Annual General Meeting ("AGM") on 18 September 2018.

**Adrian Barden**
Non-Executive Chairman
25 July 2018


**WHY INVEST IN VAN ELLE?**

- Broad and differentiated ground engineering offering
- Flexible model focused on operational efficiency
- Well positioned in attractive markets
- Attractive financial profile and consistent record of delivering growth
- Well-invested, scalable platform capable of supporting future growth
- Strong management team with operational experience

P10 | Read more in our business model

## Executive Directors' review

# Sustainable demand in our end markets leading to increased activity

**HIGHLIGHTS**

- Record turnover of £103.9m, year-on-year growth of 10.4%
- Grew turnover in Scotland by £6.8m
- New housing and infrastructure revenues grew by 22% and 12% respectively
- Rail sales up 37%
- Increased fleet from 111 to 123 rigs

### Dear Shareholder,

This has been a difficult year following a good overall performance in the first half of the FY18 year. The second half was significantly impacted by the liquidation of Carillion in January 2018 and the disruption caused by the severe weather experienced in the UK between January and March 2018. That being said, the Group delivered record turnover for the fifth consecutive year, with year-on-year growth of 10.4% to £103.9m.

This is testament to the robustness of our diversified business model, targeted at growth markets where there is sustainable demand for our services, and the housebuilding and infrastructure revenues support this strategy. Underlying operating profit was £11.1m (2017: £11.6m), with an underlying operating margin of 10.7% (2017: 12.3%). Reportable operating profit was £9.7m (2017: £9.7m) at an operating margin of 9.3% (2017: 10.3%). This year's 10.7% was down on last year, principally due to margin dilution from differing commercial parameters on two rail contracts undertaken in H1 and a loss-making contract in the Ground Engineering Services division. Robust internal risk controls have been introduced so that we identify and understand all our risks starting in the bid appraisal stage and apply rigorous management to monitor contract performance to ensure that the circumstances resulting in each of these situations do not occur again.

### Delivering the strategy

We have continued to grow the business by broadening our range of products and services and extending our geographical footprint into high-growth markets (see pages 12 and 13, strategic overview). This is being achieved organically but our strategy is to complement this with bolt-on acquisitions.

Capital investment has been one of the drives of our growth with a further £13.2m spent in the current year, bringing the total to £45.1m over the last four years. Our rig fleet now stands at 123 rigs (2017: 111 rigs) and we believe that Van Elle has the broadest and most modern range of specialist piling rigs in the market. Some of our recent additions and innovations are detailed within the strategic overview on page 12.

We continue to pursue acquisition opportunities where appropriate.

### Trading performance

I am pleased that we successfully grew revenues by 10.4% in the year to £103.9m (2017: £94.1m), our fifth successive year of double-digit revenue growth reflecting our view that we continue to grow our market share. We also maintained our record of profitable growth since 2010. We report in detail on the financial performance of Van Elle during the year on pages 30 to 33.

In terms of our performance in the end markets, sales to the housebuilding sector were up 22.1% to £51.9m (2017: £42.5m) and sales to the infrastructure sector were up 11.9% to £32.3m (2017: £28.9m). Sales to the commercial and industrial sector fell by 13.1% to £16.4m (2017: £18.8m).

| | |
|---|---|
| 123 rigs | RIG FLEET INCREASED BY 12 |
| £45m | CAPITAL INVESTMENT OVER THE LAST FOUR YEARS |
| 10.4% | GROWTH IN REVENUES IN 2017/18 |

Our rig investment in the year added three new large diameter piling rigs that have contributed to the increased market share in housebuilding and infrastructure. Our flexibility to redirect resources to reflect short-term trends in our markets is a key strength of the business, mitigating the impact of a slowdown in any one sector.

Our rig fleet investment is largely complete for now and provides a strong platform for our future growth.

## Operating performance

For the fifth year in succession, our revenue has seen double-digit growth to a record £103.9m (2017: £94.1m). We saw a particularly strong performance in Ground Engineering Services, up 64.8% to £17.5m (2017: £10.6m). This has been driven by our investment in servicing the burgeoning local Scottish market. This has established Van Elle as the dominant ground engineering company in the central belt of Scotland and demonstrates our ability to penetrate new markets with our leading service offering. However, gross margin reported fell to 25.7% (2017: 37.7%) due to a loss-making contract delivered in the Ground Stabilisation operating unit during the year.

Sales were marginally lower in Specialist Piling at £29.9m (2017: £30.1m). Gross margin delivered was down on last year at 41.3% (2017: 43.8%). The Restricted Access business performed strongly last year, which included the delivery of its largest ever contract at Eden Brows. There was no repeat contract of this size in this year's revenues. The reduction in gross margin reflects dilution from differing commercial parameters on two rail contracts undertaken in H1. However, a strong second half by the rail operating unit mitigated some of this dilution.

General Piling has seen modest sales growth in the year, up 0.5% to £43.1m (2017: £42.9m), a result of the healthy housebuilding sector offset by reduced demand for industrial and commercial work. Divisional gross margin remained strong at 35.1% (2017: 33.1%), reflecting the Group's ability to deliver a large number of contracts across a broad range of end markets, achieving good returns through its long-standing and effective operational model.

Ground Engineering Products has increased its sales by 27.9% to £13.4m (2017: £10.4m), boosted by our increased manufacturing capabilities through the addition of the Scottish facility, coupled with strong demand for our Smartfoot® modular beam foundation system from the housebuilding sector. Gross margin was delivered at 25.4% (2017: 26.2%), with the dilution down to the sales mix between Smartfoot® beams and precast piles, both of which have differing manufacturing gross margins.

Further details of the operational performance of each division are included in the operating review on pages 22 to 29 and in note 5 of the consolidated financial statements.

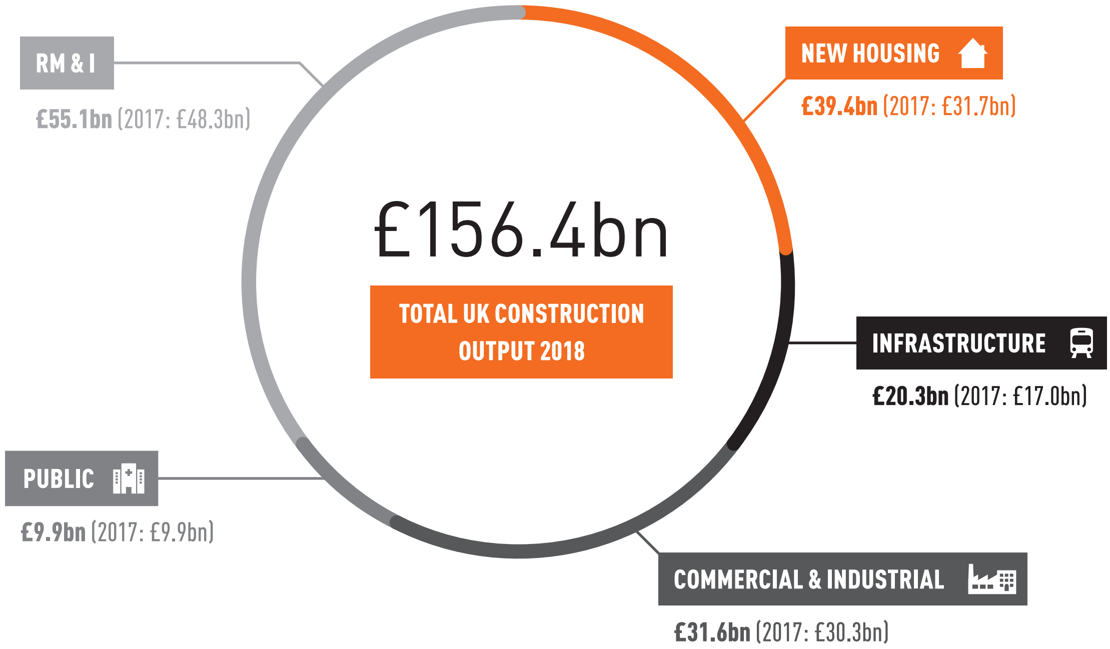
## Outlook

Trading in the new financial year has been reflective of the stuttering activity seen across the construction sector post Carillion's liquidation; disruption caused by the severe weather conditions experienced in the UK in the first calendar quarter of 2018; and decreased market confidence caused by Brexit uncertainty. Consequently, we have experienced a weaker first quarter than expected to the new financial year. However, we are seeing opportunities increase for our second quarter within each of our divisions, particularly the housebuilding and infrastructure markets. We continue to actively monitor conditions in our core markets and, whilst mindful of the current conditions, we are cautiously optimistic about the future prospects, being well positioned to deliver further value to shareholders in the medium term.

Executive Directors
25 July 2018

# We align resources to markets with **higher growth potential**

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




## NEW HOUSING

Private housing output has risen in each of the last five years and is expected to continue rising in 2018. The Government's "Help to Buy" scheme continues to support new builds and still has targets of 300,000 net additional dwellings per year by the mid-2020s.

UK MARKET 2018*
+4.7%

VAN ELLE 2017/18
+22.1%

CONSTRUCTION PRODUCTS ASSOCIATION'S GROWTH FORECASTS*

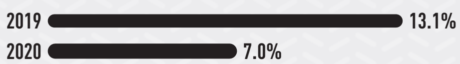

## INFRASTRUCTURE

The key driver of growth in the markets remains in infrastructure activity. New orders in 2017 rose by 35.2%, skewed by the HS2 contract awards in Q3 and TransPennine Express rail contracts in Q4. As a result, rail output is expected to grow by 5% in 2018, then by 20% in both 2019 and 2020. Also, Highways England investment is expected to increase throughout the period 2018 to 2020.

UK MARKET 2018*
+6.4%

VAN ELLE 2017/18
+11.9%

CONSTRUCTION PRODUCTS ASSOCIATION'S GROWTH FORECASTS*



## UK construction market overview

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

Construction activity is expected to be flat in 2018, with Q1 affected by the Carillion liquidation and poor weather. However, growth is forecast in 2018 in housing (2.1%) and infrastructure (6.4%) which will offset falls in commercial, industrial and health sectors.

Van Elle's revenue growth of 10.4% in the current year compares favourably with the UK construction sector's underlying market growth in the calendar year 2017 of 5.1%* and reinforces the growth strategy being pursued by the Directors as they seek to increase market share.

As new housing (+22% yoy) and infrastructure (+12% yoy) continue to generate strong revenues, our strategy is to direct our resources and investment into these sectors.

This strategy highlights the Group's ability to adapt to changing conditions and align resources to markets with a higher growth potential.

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

## Outlook

In April 2018, the Construction Products Association ("CPA") published its forecast of UK construction output, which is shown opposite. Overall its opinion is that construction activity is expected to remain flat in 2018 following the effects of the Carillion liquidation and poor weather in Q1 2018 with market conditions improving during the summer.

Growth is expected in private housing and infrastructure.

We have grown our combined revenues in new housing and infrastructure to 81% of total turnover, from 76% in 2017. We continue to focus on market share growth in both these end markets whilst still tendering and delivering work in all the other end markets.

* Source: Construction Product Association – Construction Industry Forecasts 2018–2020, Spring 2018 Edition.

### COMMERCIAL AND INDUSTRIAL

Commercial activity over the period 2018 to 2020 is forecast for a sharp fall following a contraction of 7.9% in 2017. As a consequence, output is forecast for a fall of 7.8% in 2018 and 0.8% in 2019. Retail construction is forecast to fall by 10.0% in 2018 but rise by 5.0% and 2.0% in 2019 and 2020 respectively.

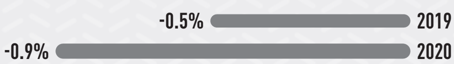
UK MARKET 2018*

−6.5%

VAN ELLE 2017/18

−13.1%

CONSTRUCTION PRODUCTS ASSOCIATION'S GROWTH FORECASTS*




### PUBLIC

Public sector construction is set to suffer from both a lack of funding available and a reduction of projects in the pipeline; however, the Priority School Building Programme 2 is expected to deliver growth in 2019. Activity is forecast to fall by 5.5% in 2018 but grow 2.5% in the following two years, but levels will be lower than in 2017.

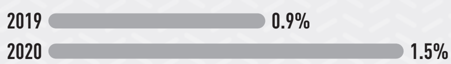
UK MARKET 2018*

−4.8%

VAN ELLE 2017/18

−32.2%

CONSTRUCTION PRODUCTS ASSOCIATION'S GROWTH FORECASTS*



# A structured but simple approach to drive growth and profitability

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

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

Working across the construction spectrum, the majority of our projects are of short duration with an average value in excess of £100,000.

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

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

c.1,000 **JOBS DELIVERED IN THE YEAR**

3 **WEEKS AVERAGE CONTRACT LENGTH**

£102k **AVERAGE CONTRACT VALUE**

## OUR RESOURCES

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

### Our market focus:
- targeting markets that value geotechnical solutions; and
- focusing investment and directing our resources into growth markets.

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

### Our financial strength:
- strong balance sheet with low level of gearing and excellent cash conversion.

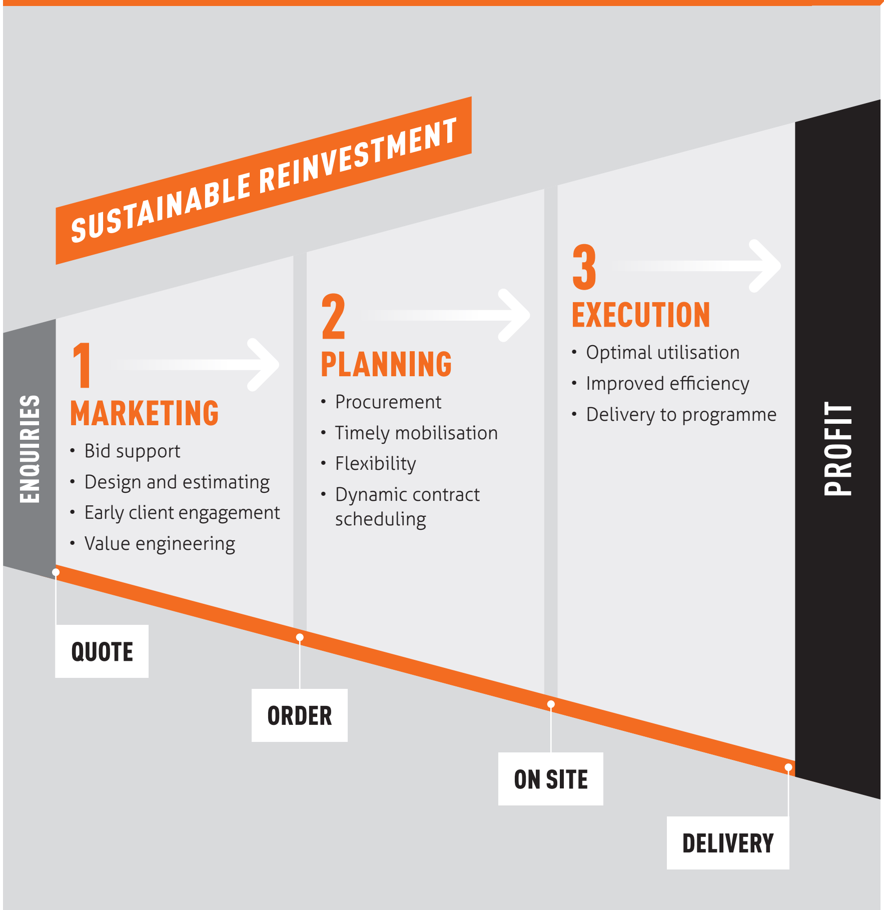
## WHAT MAKES US DIFFERENT

### A leading UK player:
- very successful track record of targeted revenue growth, delivered profitably;
- strong management team and operating model; and
- self-funded growth across the Group.

### Differentiated offering:
- broad array of complex techniques and operating environments;
- value-engineered solutions and products; and
- diverse customer base with high levels of repeat business.

> "Key performance indicators ensure we are focused on what are our essential measures to continue delivering success."

## HOW WE ADD VALUE




## OUR VALUE CREATION

### Our customers:
- provision of innovative, cost-effective geotechnical solutions to complex problems on time and within budget;
- quality products and exceptional service; and
- enhanced credentials as a recognised leader in health and safety, which is a priority for us and our customers.

### Our shareholders:
- delivering profitable growth with good cash conversion;
- progressive dividend policy;
- strong balance sheet with reinvestment in the business to support our strategy for growth; and
- operational flexibility leading to high asset utilisation and return on capital employed.

### Our people:
- attracting and developing excellent people to create a vibrant, diverse and flexible workforce; and
- interesting and challenging careers in a growth business that provides the opportunity to develop and reach their potential.

### Attractive markets:
- able to operate in a diverse range of UK-focused markets;
- housebuilding, road and rail infrastructure; and
- proprietary manufactured precast foundation products.

### Strong financial profile:
- a fifth year of record turnover;
- profitability across a range of contract sizes; and
- track record of converting profit into cash.

### Well-invested platform:
- c.£45m invested in facilities, rigs and specialist equipment in the last four years;
- in-house support functions; and
- highly skilled incentivised workforce.

### Clear strategy for growth:
- target market share gains;
- new products, services and geographic locations; and
- accelerate growth with targeted bolt-on acquisitions.

# Progressing our strategy, now and into the future

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

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

## STRATEGIC PRIORITIES

### 1 MARKET SHARE GAINS

#### Leverage market position across all four divisions

**How we performed**
- With the exception of Specialist Piling, revenues increased year on year. Last year Specialist Piling delivered the Group's largest single contract of £5.4m with this year's revenue 0.8% down on prior year.

**Future outlook**
- All four divisions are targeting further market share gains, particularly in the new housing and infrastructure sectors.

#### Increase existing fleet, focusing on specialist rigs and high-growth markets

**How we performed**
- The rig fleet has been increased to 123 rigs during the year, expanding on the breadth of techniques that can be provided.

**Future outlook**
- Recent rig acquisitions in General Piling are targeting increased revenues from larger diameter piling work on larger civils contracts.
- The Ground Engineering Services division has also broadened its service proposition into the rail and road markets, most notably with a specialist road–rail vehicle that can undertake site investigation work on-track.
- Our rig fleet investment is largely complete and provides a strong platform for our future growth.

#### Increase manufacturing capacity to drive internal growth and Smartfoot® sales
- Revenues from internally manufactured precast products increased 40.5% in the year, with total Ground Engineering Products turnover growing 27.9% on prior year.

### 2 EXPAND SERVICE AND PRODUCT OFFERING

#### Broaden ground engineering range to include new techniques and services

**How we performed**
- Expanded the use of our Elemex technique into rail electrification piling work and developed a screw pile for use in track-bed stabilisation, directly with Network Rail.

**Future outlook**
- We continue to provide our customers with industry-leading unique solutions.

#### Increase presence in under-represented markets

**How we performed**
- Scotland has been a resounding success after establishing an office and production facility near Glasgow, in 2017.

**Future outlook**
- In February 2018 we opened an office in London and have recruited three new Business Development Managers to cover London/South East, South West/Wales and the North East.

#### Continue to develop the precast concrete product range into new markets

**How we performed**
- During the year we have manufactured bespoke concrete bases for use in rail, providing foundations for gantries and signals.

**Future outlook**
- We will continue to manufacture for internal use and pursue any opportunities to develop products for external sales.

### 3 COMPLEMENTARY ACQUISITIONS

#### Bolt-on opportunities that can access new services and products
- Businesses that can benefit from being part of Van Elle.
- Accelerate overall growth strategy.

**How we performed**
- We have considered a few potential acquisition targets during the year but ultimately they have not met our expectations for enhancing earnings and complementing what we do.

**Future outlook**
- We still have a pipeline of potential targets but we do not simply want to buy turnover. As the strategy stipulates, we want acquisitions to provide bolt-on opportunities and accelerate market share gains and an expanded offering to the markets.

## Our strategy in action – post IPO

# Focus on techniques **and innovation**

**RRV**

- Rail market penetration commenced in 2013 with investment in road/rail vehicles – Van Elle now owns 18

**INVESTMENT IN HGVS**

- Increasing rig sizes and numbers has seen a continuous investment in lorries – Van Elle now owns a fleet of 28 HGVs

**SMARTFOOT®**

- Production facility expansion to meet market demand, increasing market share

**KIRKBY PRODUCTION FACILITY**

**SCOTLAND PRODUCTION FACILITY**

**IPO**
**OCTOBER 2016**

**ELEMEX (EDEN BROWS)**

- Specialist Elemex technique delivered largest single contract in 2017

**PRECAST PILES + RAIL BASES**

- Self-sufficient for precast driven piles used internally by general and specialist piling

**INNOVATIVE PILE SOLUTIONS**

- Innovative in-house design to provide solution to Network Rail for track-bed stabilisation

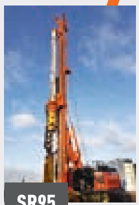
**TRAINING CENTRE**

**SR75**

**P160**

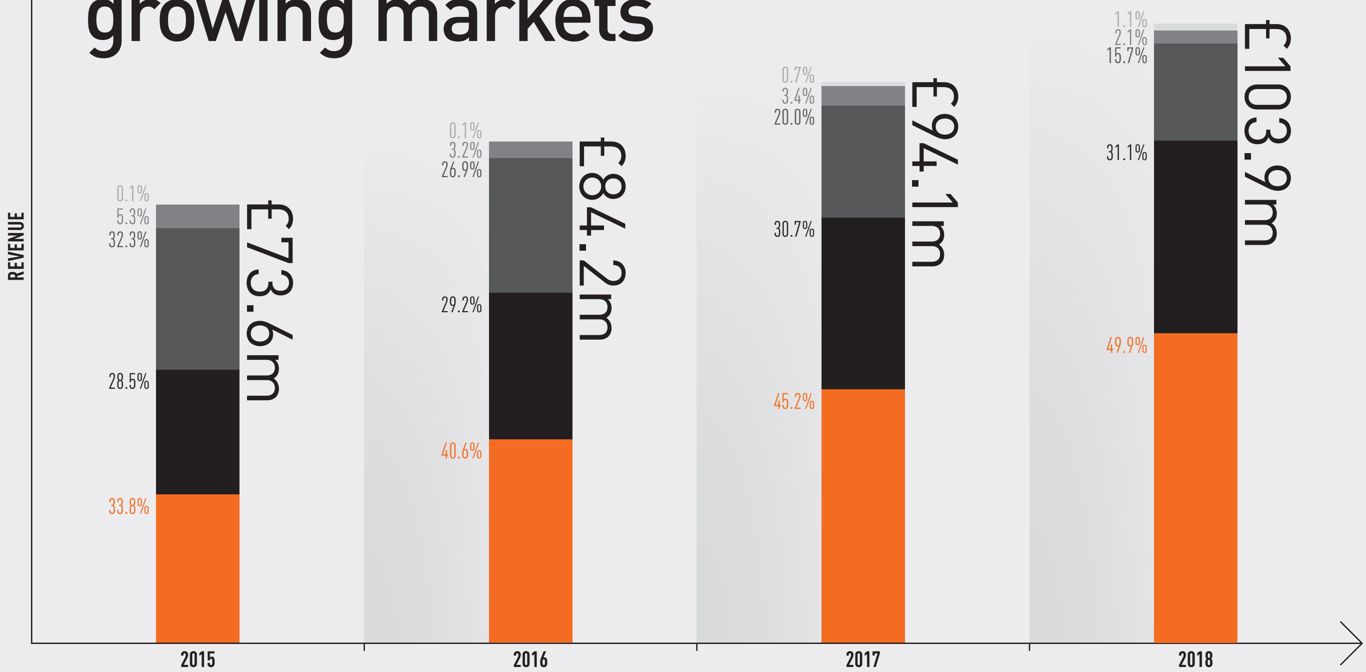
**STATE-OF-THE-ART RIGS**

- Investment in new rigs to increase service proposition and productivity: large diameter CFA/rotary rigs; RRV cranes for lifting structures on rail network; large driven rigs for housebuilding



**SR95**

# Focus on **growing markets**




**Key** NEW HOUSING | INFRASTRUCTURE | COMMERCIAL & INDUSTRIAL | PUBLIC | AGRICULTURE/OTHER

# Delivering growth and **driving returns**

The key performance indicators ("KPIs") we utilise are a fundamental instrument in measuring and ensuring performance financially.

These are cascaded and measured monthly from an operational level and are reviewed annually against our strategic outlook.

## REVENUE (£m)

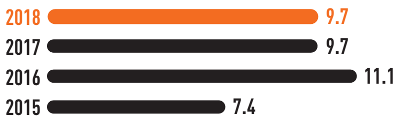
£103.9m +10.4%


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

Performance
Strong revenue growth of 10.4% in the year delivered the highest turnover ever for the Group. The compound annual growth rate ("CAGR") over the last three years is 12.2% p.a., which reflects our investment in both our facilities and specialist equipment and techniques for delivering targeted growth in end markets.

## REPORTED OPERATING PROFIT (£m)

£9.7m +0%




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

Performance
Reported operating profit has remained flat in 2018 at £9.7m. In particular, the 2017 reported profit was after IPO costs of £1.8m and in 2018 is stated after the Carillion bad debt write-off of £1.0m.

## UNDERLYING OPERATING PROFIT (£m)

£11.1m -4.0%


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
Underlying operating profit is down 4.0% in the year; the underlying operating margin is 10.7%, down on last year's 12.3%. This was primarily due to two rail electrification contracts delivered in H1 at lower than normal gross margins, coupled with a loss-making contract in Ground Stabilisation delivered in H2. These three individual contracts have been thoroughly investigated and, although isolated issues, to ensure there is no repeat, robust controls have been introduced so that we identify and understand all our risks starting in the bid appraisal stage and applying rigorous management and monitoring contract performance throughout the life of a contract.

> Driving growth and profitability through our people, by utilising our technology to service our diversified revenue streams."

## UNDERLYING EARNINGS PER SHARE ("EPS") (p)

10.6p -12.4%


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

Performance
The underlying EPS of 10.6p is down 12% on the prior year's 12.1p, reflecting the lower underlying profits after tax delivered in the year.

## REPORTED EARNINGS PER SHARE (p)

9.2p -6.1%


## OPERATING CASH CONVERSION (%)

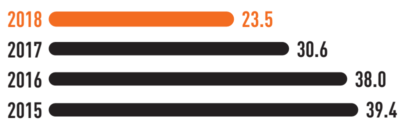
85.9% -6.1%


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

Performance
Healthy operating cash conversion of 85.1% in the year gives comfort that working capital is well managed and that operating profits convert into cash either for reinvestment in the business or distribution to shareholders. This was after the exceptional bad debt charge relating to the liquidation of Carillion in January 2018.

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

23.5% -23.2%

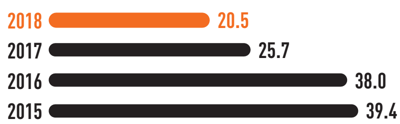



Description
This measure indicates the rate of return per Pound invested in the operating assets of the business. Capital employed is taken to be net assets excluding net debt and earnings is taken as underlying operating profit.

Performance
The ROCE of 23.5% represents a good return on funds invested for the year. It is, however, a reduction from earlier years, which reflects the significant investment incurred over the last three years. During this growth phase of significant capital investment, the ROCE can become diluted until assets are fully operational and contributing for the whole 12 month period. This investment programme is largely complete.

## REPORTED RETURN ON CAPITAL EMPLOYED (%)

20.5% -20.2%



# Risk management and principal risks

## Increasing shareholder value by managing risks to deliver our success and growth

**Change in risk**
- INCREASE
- NO CHANGE
- DECREASE

**Link to strategy**
1. MARKET SHARE GAINS
2. EXPAND SERVICE & PRODUCT OFFERING
3. COMPLEMENTARY ACQUISITIONS

| Risk description | Potential impact | Mitigation | Link to strategy |
|---|---|---|---|
| **MARKET RISK** | | | |
| **A RAPID DOWNTURN IN OUR MARKETS** (Increase) | | | |
| 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 to continue in operation or to meet our liabilities.<br>Failure of a key client resulting in market volatility, eg. Carillion.<br>The Brexit negotiations could impact public spending in infrastructure, slowing and cancelling the award of new programmes of work. | Diversification of our markets, both in terms of geography and market segment.<br>Having strong local businesses to address geographic markets and techniques.<br>All revenues arise in the UK. | 1 3 |
| **STRATEGIC RISKS** | | | |
| **FAILURE TO PROCURE NEW CONTRACTS** (No change) | | | |
| A failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change or demand reduces due to general adverse economic conditions. | Failure to achieve targets for revenue, profit and earnings. | Continually analysing our existing and target markets to ensure we understand the opportunities that they offer.<br>Structured bid review process in operation throughout the Group with well-defined selectivity criteria that are designed to ensure we take on contracts only where we understand and can manage the risks involved. | 1 |
| **LOSING OUR MARKET SHARE** (No change) | | | |
| Inability to achieve sustainable growth, whether through acquisition, 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.<br>A business development team focusing on our customers' requirements and understanding our competitors.<br>Minimising the risk of acquisitions, through due diligence and structured and carefully managed integration plans.<br>Implementing annual efficiency and improvement programmes to help us remain competitive. | 1 2 3 |
| **NON-COMPLIANCE WITH OUR CODE OF BUSINESS CONDUCT** (No change) | | | |
| 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.<br>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.<br>Maintaining training programmes to ensure our people fully understand these policies and requirements.<br>Operating and encouraging the use of a whistleblowing facility. | 1 2 |

| Risk description | Potential impact | Mitigation | Link to strategy |
|---|---|---|---|
| **OPERATIONAL RISKS** | | | |
| **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. | 1 2 |
| **INEFFECTIVE MANAGEMENT OF OUR CONTRACTS** | | | |
| Failure to manage our contracts to ensure that they are delivered on time and to budget. | Failure to achieve the margins, profits and cash flows we expect from contracts. | We ensure we always undertake credit checks on potential customers.<br>We have a diversified customer base with no single customer accounting for >10% of total turnover.<br>The £1m Carillion bad debt, although significant, was not business critical.<br>Ensuring we understand all our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance.<br>Ensuring we have high-quality people delivering projects. | 1 2 |
| **A FAILURE TO COMPLY WITH HEALTH AND SAFETY AND ENVIRONMENTAL LEGISLATION** | | | |
| Causing a fatality or serious injury to an employee or member of the public through a failure to maintain high standards of safety and quality. | Damage to employee morale leading to an increase in employee turnover rates, loss of customer, supplier and partner confidence, and damage to our brand reputation in an area that we regard as a top priority. | A Board-led commitment to achieve zero accidents.<br>Visible management commitment with safety tours, safety audits and safety action groups.<br>Implementing management systems that conform to Occupational Health and Safety Assessment Systems (ISO 9001, ISO 14001 and OHSAS 18001).<br>Extensive mandatory employee training programmes. | 1 2 3 |
| **NOT HAVING THE RIGHT SKILLS TO DELIVER** | | | |
| Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce. | Failure to maintain satisfactory performance in respect of our current contracts and failure to deliver our strategy and business targets for growth. | Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential. | 1 2 |
| **FINANCIAL RISK** | | | |
| **INABILITY TO FINANCE OUR BUSINESS** | | | |
| Losing access to the financing facilities necessary to fund the business. | Breach of banking covenants or failure to continue in business or to meet our liabilities. | Procedure to monitor the effective management of cash and debt, including weekly cash reports and regular cash forecasting. | 1 2 3 |

## 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.

P74 | See the principal financial risks disclosed in note 21

# Conducting business with fairness, honesty & integrity

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

## Approach

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

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

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

## Safety

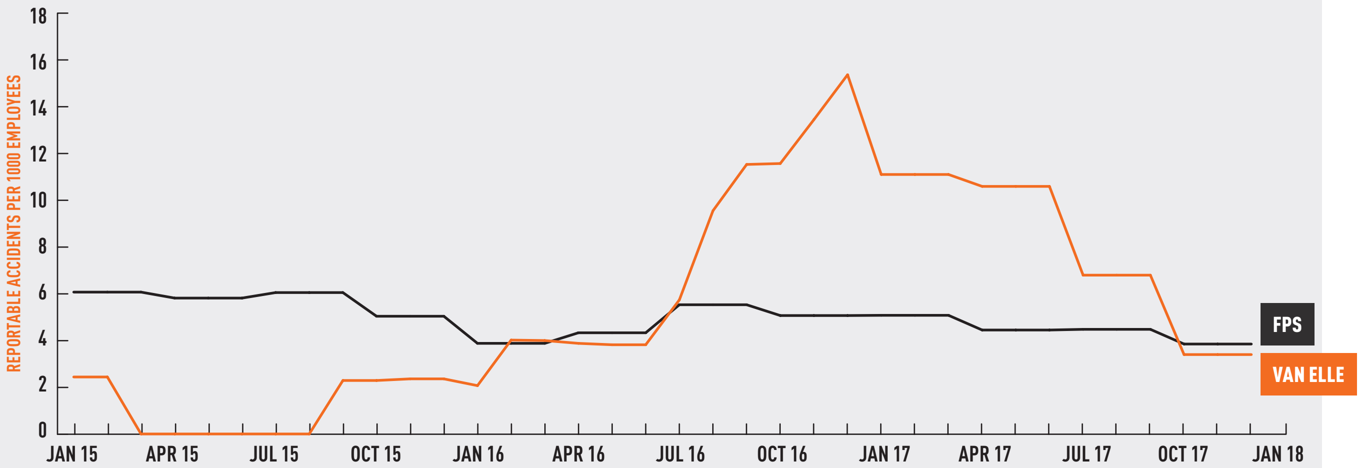
At Van Elle the health, safety and well being of our staff is paramount and every precaution is taken to protect them and fellow contractors on site. As the largest independent geotechnical engineering contractor in the UK, it is our duty and priority to ensure the safety of our employees; anyone we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

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

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

This trend can falter and in 2016 we suffered several lost time accidents over the second half of the year. However, through identification of causes and briefings to refocus the business, we have seen the incident rate return to levels below the industry average (compared to the Federation of Piling Specialists), as can be seen in the graph below.

ANNUAL INCIDENT RATE PER 1000 EMPLOYEES – COMPARISON OF VAN ELLE TO THE FEDERATION OF PILING SPECIALISTS 2015–2017



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

OUR NEW TRAINING CENTRE

We have launched a Van Elle App that is used for reporting of accidents and incidents, near misses and also extends to plant inspections and safety talks (toolbox talks).

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

Rolling out from April 2018 we have also introduced a mental health awareness campaign.

## People

### Investing in our workforce

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

We invest heavily in our workforce, dedicating time and resources so that they can develop career paths within the Company.

Our commitment to learning and development is continuous and it is our intention to maximise the Apprenticeship Levy scheme in order to offer both existing staff and new entrants to the business the opportunity, skills and qualifications that they need in order to allow the individuals to develop their careers and future.

This year we intend to recruit a minimum of five higher level apprentices, to be enrolled on a civil engineering degree course at Derby University. For the individual apprentices it will mean that they are in full time employment, learning and gaining experience whilst working towards their degree qualification.

For our site-based staff we will also be offering and delivering Trailblazer Apprenticeships, along with providing in house all of the health and safety training and plant operator's training and assessment in our own training centre.

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

We are also offering training to external candidates.

### Communication

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

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

### Recruitment and retention

An important part of our HR strategy is to attract talented individuals who can demonstrate and live by our values and behaviours whilst delivering business results. This has been achieved by continuously improving our recruitment process, including creating strong partnerships with our prime recruitment agencies. We have also put career structures in place and identified successors for key roles, so that people can see how they can develop within the Group.

# **Corporate social responsibility** continued

## People continued

### Diversity and equality

The Group maintains an equality and diversity policy, selecting and promoting employees based on their aptitudes and abilities. The Group is committed to providing equal opportunities to all current and future employees and values the difference that a diverse workforce can contribute to the organisation.

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

New regulations came into force requiring any company with 250 or more employees on 5 April 2017 to publish specific details on gender pay and bonus gaps.

Gender pay gap reporting is not about equal pay although our policy is to pay employees equally for the same or equivalent work, regardless of their gender. The gender pay gap represents the difference in the average earnings between men and women in a company.

In general, females have been under-represented in the traditionally, male-dominated construction and engineering sector, primarily through fewer women choosing our sector for a career.

At Van Elle our staff are our greatest asset – we are a proud Investor in People and our policies address equal opportunities and diversity.

It is in the interests of the company and its employees to utilise the skills of the total workforce and any appointments and promotions are based on suitability, capability and qualifications.

## Environment and sustainability

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

Our vision includes:

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

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

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

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

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

## Supporting local communities and charities

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

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

High Speed 2 offers great potential for the entire industry over the coming years and we were keen to show our support, particularly in the education of young people training to work on the project. We recently provided rail-lifting services to the National High-Speed Rail Colleges at Birmingham and Doncaster using our new rail cranes. We are now one of their chosen industry partners.

Every year we support a chosen charity with donations made by employees direct from salary and matched by the Company. Last year our chosen charity was NSPCC's Childline and this year our chosen charities for 2018 are "Epilepsy Action" and "Mind", details of which are shown opposite.




**SUPPORTING CHARITIES AND LOCAL COMMUNITIES**

### 2017 CHARITY SUPPORT

In 2017, Van Elle raised more than £22,000 for the NSPCC's Childline through a number of events held in the charity's honour. Above, former CEO, Jon Fenton, can be seen handing over the cheque to two of the charity's representatives.

### 2018 CHOSEN CHARITY – EPILEPSY ACTION

Epilepsy affects the lives of a number of our employees and their families so supporting this charity was an obvious choice for us. Epilepsy Action provides support, information and advice for people with epilepsy across the UK.

### 2018 CHOSEN CHARITY – MIND

Mind supports people across the UK suffering from a wide range of mental health problems; a focus of both Van Elle, many of our clients and the wider industry.

# The largest fleet in the Group: General Piling

## WHAT WE DO

Van Elle delivers outstanding results for its customers on civil, construction, building and infrastructure projects anywhere throughout the UK.

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

We take pride in having built quality foundations for many of the country's iconic schemes.

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

## OUR YEAR IN REVIEW

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

Revenue growth has been modest at 0.5% with strong housebuilding and infrastructure revenues being partially offset by reduced public and commercial and industrial activity.

The division's focus on rig utilisation and operational execution of its contracts improved operating performance.

Management believes that there is an opportunity to broaden the range of techniques and services it can offer. By broadening the offering, the division will be able to capture additional revenue from larger and more complex construction projects and increase market share.

## DIVISION HIGHLIGHTS

REVENUE (£m)

£43.1m +0.5%

| | |
|---|---|
| 2018 | 43.1 |
| 2017 | 42.9 |
| 2016 | 42.1 |

REVENUE SHARE (%)

42% (46%)

OPERATING PROFIT (£m)

£5.7m +21.5%

| | |
|---|---|
| 2018 | 5.7 |
| 2017 | 4.7 |
| 2016 | 4.7 |

2018 RIG INCREASE

3

# Solutions for constrained environments: Specialist Piling

## WHAT WE DO

Specialist piling delivers outstanding results for its customers on civil, construction, building and infrastructure projects anywhere throughout the UK.

With over 30 years of restricted access piling experience, both in the UK and overseas, we have developed a reputation for delivering quality-value engineered solutions and offering a range of services and techniques unrivalled within the industry.

Our ability to deliver technically challenging projects safely, on programme and within budget has been recognised many times throughout the years by the industry. Most recently, we have been awarded the 2016 NCE100 "Technical Trailblazer" Award.

In 2015 we won two Offshore Excellence Awards for "Best Global Piling and Ground Engineering Contractor" and "Best in Class for Commitment to Excellence", were named "Contractor of the Year" in the Ground Engineering Awards, and also took the title of "Specialist Contractor of the Year" in the Construction News awards.

The impressive range of state-of-the-art rigs is complemented by an extensive fleet of ancillary equipment and some of the most experienced operatives and management in their field.

This capacity and expertise enabled us to address a range of stabilisation problems with solutions tailored to each project's unique characteristics.


## OUR YEAR IN REVIEW

The Specialist Piling division 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 in well as on-track rail environments.

Revenue was relatively flat year on year, with the prior year reflecting a strong performance in Restricted Access from delivering Van Elle's largest ever contract at Eden Brows. The reduction in gross margin reflects dilution from differing commercial parameters on two rail contracts undertaken in H1. However, a strong second half by the rail operating unit mitigated some of this dilution and with a solid performance from Restricted Access resulted in encouraging financial results for H2.

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

The Directors believe that the rail sector presents a particularly significant growth opportunity for the Group over the medium term. Revenues from the division's on-track services have grown from zero in 2013 to over £15.5m in 2018 and the Directors believe that the Group is well positioned to win additional work.

### DIVISION HIGHLIGHTS

REVENUE (£m)

£29.9m -0.8%

| | |
|---|---|
| 2018 | 29.9 |
| 2017 | 30.1 |
| 2016 | 25.8 |

REVENUE SHARE (%)

29% (32%)

OPERATING PROFIT (£m)

£4.1m -23.9%

| | |
|---|---|
| 2018 | 4.1 |
| 2017 | 5.4 |
| 2016 | 5.9 |

2018 RIG INCREASE

4

# Coverage over a broad range of markets: Ground Engineering Services

## WHAT WE DO

The Ground Engineering Services division offers a range of ground stabilisation and geotechnical services on construction projects across a broad range of end markets. Ground stabilisation services are frequently required for large civil engineering projects, such as motorway expansion and embankment cutting, as well as new-build residential schemes. The division's Geotechnical Services operating unit provides a range of technically complex, critical services including ground investigation, pile testing and geothermal boreholes.

Our extensive experience gained over many years of working across the UK for the Coal Authority, private companies, developers, individual landowners, the Highways Agency, Network Rail and local authorities gives clients confidence that they are employing a reputable, professional specialist to undertake their ground stabilisation requirements.

Our range of ground stabilisation products/services includes:

- Mine working investigation
- Mine shaft treatment and capping
- Adit treatment and consolidation
- Compaction grouting
- Permeation grouting
- Sewer grouting
- Pressure grouting
- ODEX drilling techniques
- Water/air or air mist drilling techniques
- Ground anchors
  - Strand
  - Solid bar
  - DCP
- Soil nails
  - Hollow bar
  - Self drilling
  - Solid bar
- Bulk infill
  - Bulk/silos
  - Underground tanks
- Drilling and grouting
  - Coal workings
  - Shale workings
  - Salt mine workings
- Pier and harbour remediation works



## OUR YEAR IN REVIEW

Revenues have increased by 64.8% but gross margin has fallen to 25.7% (2017: 37.7%), due to contract losses experienced in the Ground Stabilisation operating unit during the year.

The opportunities in Ground Stabilisation will be reviewed to ensure that a sustainable, profitable business can be achieved in future years.

The division has invested to establish a new dedicated Scottish office, which commenced operations in January 2017.

Given the large addressable market for geotechnical and ground stabilisation services, the Directors believe that there is scope to increase the division's market share by capitalising on the Group's established brand and reputation. The Directors believe that the Group's strong relationships with customers in the infrastructure and civil engineering sectors position the division to bid for additional work on projects such as the smart motorway initiative.

In addition, the division can leverage the Group's strong position in the rail market by providing its range of geotechnical services on-track. There is an opportunity to provide site investigation services to rail customers and the division has commissioned a bespoke Unimog mounted RRV rig capable of delivering this service.

## DIVISION HIGHLIGHTS

REVENUE (£m)

£17.5m +64.8%

| | |
|---|---|
| 2018 | 17.5 |
| 2017 | 10.6 |
| 2016 | 10.2 |

REVENUE SHARE (%)

17% (11%)

OPERATING PROFIT (£m)

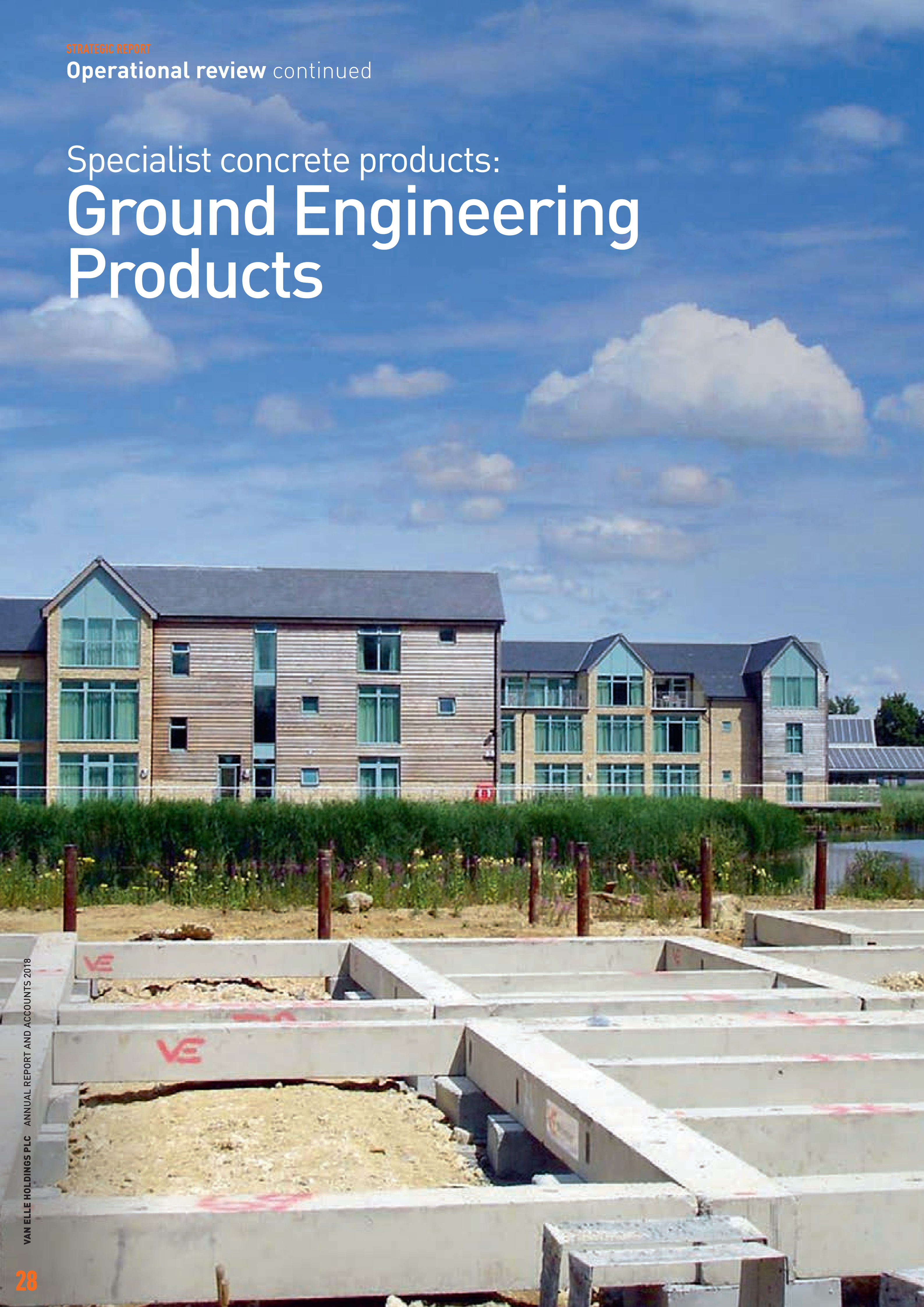
£0.3m -60.4%

| | |
|---|---|
| 2018 | 0.3 |
| 2017 | 0.8 |
| 2016 | 0.5 |

2018 RIG INCREASE

5

Specialist concrete products:
# Ground Engineering Products



## WHAT WE DO

The division provides a modular precast beam foundation system (Smartfoot®) to the housebuilding market as well as manufacturing precast piles and products for internal use by other divisions.

### What is Smartfoot®?

The installation of a series of bespoke, precast modular concrete beams, which are post-tensioned on site to create a rigid, homogenous foundation for a variety of structures.

### The benefits of Smartfoot®

- Package includes the full design, manufacture and installation
- Unlike competitors' systems, every beam is designed bespoke for that location, on that plot and on that site
- Manufactured under strict quality controlled conditions
- Cost effective – value driven
- Rapid on-site construction (up to 600lm per gang, per day)
- Design to installation on site can take as little as seven days
- Once tensioned, it acts as a single unit
- Minimal site preparation
- Can be installed with or without piles
- Sustainable and environmentally friendly
  - Less material
  - Significantly fewer site deliveries
  - Excavations and offsite landfill taxes significantly reduced
- Strong, durable and versatile
- "Just-in-time" delivery – no on-site storage issues
- Can be destressed and retensioned in new locations for temporary builds
- Non-weather dependency – completely dry installation
- Ideally suited to modular structures

## OUR YEAR IN REVIEW

The Ground Engineering Products division designs, manufactures and installs modular foundation systems and other specialist precast concrete products. In addition, the division manufactures precast concrete piles for internal use.

Revenues are up 27.9%, driven by strong demand for Smartfoot® products and precast piles used internally by the General and Specialist Piling divisions. The gross margin has fallen year on year by 1%, reflecting the sales mix between beams and piles which are manufactured at different gross margins due to material content. Operating profit has increased by £0.2m to £1.0m.

The Directors believe that long-term structural shortages in UK housing provide a clear opportunity to continue to grow Smartfoot® market share.

## DIVISION HIGHLIGHTS

REVENUE (£m)

£13.4m +27.9%

2018 13.4
2017 10.4
2016 6.1

REVENUE SHARE (%)

13% (11%)

OPERATING PROFIT (£m)

£1.0m +36.5%

2018 1.0
2017 0.8
2016 OPERATING PROFIT WAS £0 (£NIL) IN 2016

2018 INCREASE NUMBER OF GANGS

2

# Financial review

# Delivering on our strategy

— **Paul Pearson**
Chief Financial Officer

**HIGHLIGHTS**

- Strong revenue growth of 10.4% to £103.9m
- Underlying operating profit of £11.1m, 10.7% return
- Reported operating profit of £9.7m, 9.3% return
- Excellent operating cash conversion at 85%
- Strong balance sheet with low levels of net debt and gearing
- Year-end cash balance stands at £10.9m

## Revenue

The Group continued its strong revenue growth during the year. Revenue for the year ended 30 April 2018 was £103.9m (2017: £94.1m), which represented an increase of 10.4%.

| | **2018 £'000** | 2017 £'000 | Change % | **2018 %** | 2017 % |
|---|---|---|---|---|---|
| H1 | **52,642** | 43,126 | 22.1 | **50.7** | 45.8 |
| H2 | **51,230** | 50,967 | 0.5 | **49.3** | 54.2 |
| Revenue | **103,872** | 94,093 | 10.4 | **100.0** | 100.0 |

Group results are usually seasonally weighted to H2 due to work patterns over the Christmas and Easter holiday periods, particularly in the infrastructure sector. However, this year the H1 performance was marginally ahead of H2, with H2 being impacted by the demise of Carillion and subsequent delays in recommencing work on contracts that were being delivered at the time of the company's liquidation. Additionally, there was lost productive time and contract delays resulting from the severe weather disruption during January, February and March. Last year the seasonal weighting was impacted by a strong Q3 that saw delivery of the Eden Brows contract for £5.4m, alongside an active rail sector.

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

| | **2018 £'000** | 2017 £'000 | Change % | **2018 %** | 2017 % |
|---|---|---|---|---|---|
| Housebuilding | **51,884** | 42,504 | 22.1 | **49.9** | 45.2 |
| Infrastructure | **32,343** | 28,906 | 11.9 | **31.1** | 30.7 |
| Commercial and industrial | **16,357** | 18,814 | (13.1) | **15.7** | 20.0 |
| Public sector | **2,149** | 3,171 | (32.2) | **2.1** | 3.4 |
| Other | **1,139** | 698 | 63.2 | **1.1** | 0.7 |
| Revenue | **103,872** | 94,093 | 10.4 | **100.0** | 100.0 |

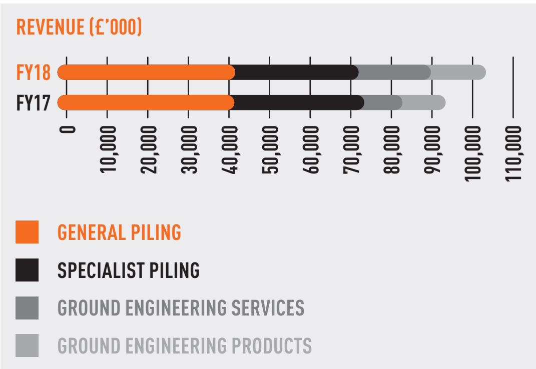
New housing and infrastructure continued to generate growth with strong revenues in this year's sales mix buoyed by the healthy housing market and the Government's investment in the country's infrastructure networks. The commercial and industrial revenues fell year on year.

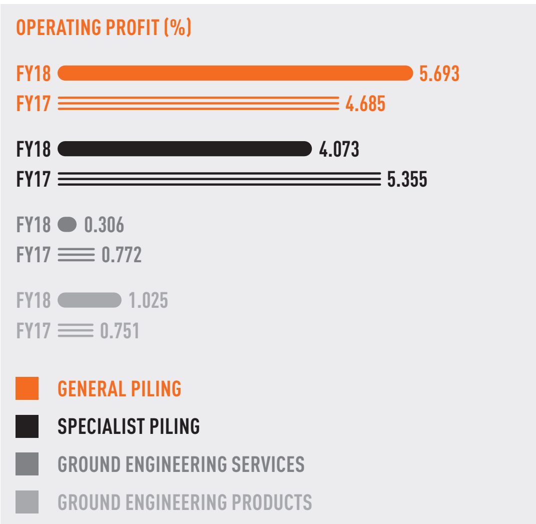
The mix of revenue by our divisions is shown below:

| | **2018 £'000** | 2017 £'000 | Change % | **2018 %** | 2017 % |
|---|---|---|---|---|---|
| General Piling | **43,124** | 42,905 | 0.5 | **41.5** | 45.6 |
| Specialist Piling | **29,887** | 30,126 | (0.8) | **28.8** | 32.0 |
| Ground Engineering Services | **17,502** | 10,621 | 64.8 | **16.8** | 11.3 |
| Ground Engineering Products | **13,359** | 10,441 | 27.9 | **12.9** | 11.1 |
| Revenue | **103,872** | 94,093 | 10.4 | **100.0** | 100.0 |

The changing mix reflects our focus on growth markets as well as our ability to focus resources where we feel the best opportunities lie. We have targeted investment into several specialist rigs and equipment during the year.

Our investment in our production capabilities has increased our capacity to meet demand from the housebuilders for Smartfoot® modular beams and internal demand for precast piles, the latter reducing our reliance on the supply chain. The returns can be seen in our growth in Ground Engineering Products revenues.




## Gross profit

The gross margin of the Group has reduced to 33.1% (2017: 35.5%), reflecting lost productive time and contract delays resulting from the severe weather during January, February and March, together with a loss-making contract in the Ground Engineering Services division.

## Operating profit

The revenue performance has translated into operating profit for the year ended 30 April 2018 of £9.7m (2017: £9.7m).

| | **2018 £'000** | 2017 £'000 | Change % |
|---|---|---|---|
| Operating profit | **9,710** | 9,705 | – |
| Underlying operating margin | **10.7%** | 12.3% | |
| Operating margin | **9.3%** | 10.3% | |

The Board believes that the underlying performance measures for operating profit and EPS, stated before the deduction of exceptional items, the Carillion bad debt charge and share-based payment expenses, give a clearer indication of the actual performance of the business in terms of comparable year-on-year operational delivery.

During the year, exceptional items of £283,000 were incurred in respect of legal and other professional costs associated with the EGM held on 15 December 2017 and an aborted acquisition.

Our underlying operating margin has decreased due to the severe weather in Q1 of 2018 and the loss-making contract in Ground Engineering Services.

# **Financial review** continued

## Net finance costs

Net finance costs were £536,000 (2017: £422,000) and interest was covered 18.1 times (2017: 23.0 times). The increase in costs reflects the targeted capital investment expenditure over the last couple of years funded by hire purchase lease contracts. The hire purchase contracts are at fixed rates of interest and normally for a five year term.

## Taxation

The effective tax rate for the year was 18.9% (2017: 19.9%).

The Group paid £1,768,000 (2017: £2,281,000) of corporation tax during the year.

## Dividends

The Board has adopted a progressive dividend policy. On 7 March 2018, the Company paid an interim dividend of 1.4p per share. The Board is now recommending a final dividend of 2.3p per share making a total dividend of 3.7p per share for the financial year.

Subject to approval at our Annual General Meeting of shareholders on 18 September 2018, the recommended final dividend will be paid on 28 September 2018 to shareholders who are on the register on 7 September 2018.

## Earnings per share

The underlying basic earnings per share was 10.6p (2017: 12.1p), based on underlying earnings of £8,516,000 (2017: £9,125,000). Reported earnings per share was 9.2p (2017: 9.8p). Underlying earnings are stated after adding back £283,000 of exceptional costs, Carillion bad debt write-off of £956,000 and £148,000 of share-based payment expenses.

## 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 economic cycles. In this context, the Board has established clear priorities for the use of capital. In order of priority these are:

- to fund profitable organic growth opportunities;
- to finance bolt-on acquisitions that meet the Group's investment criteria;
- to pay ordinary dividends at a level which allows dividend growth through the cycle; and
- where the balance sheet allows, to deploy funds for the benefit of shareholders in the most appropriate manner.

## Balance sheet summary

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Fixed assets (including intangible assets) | **41,826** | 34,440 |
| Net working capital | **7,437** | 5,337 |
| Net debt | **(5,905)** | (1,458) |
| Taxation and provisions | **(1,992)** | (1,998) |
| Net assets | **41,366** | 36,321 |

The Group has increased net assets by £4.8m to £41.4m (2017: £36.3m) during the year.

The Group continued to invest in specialist rigs to drive growth in its chosen markets, as well as continuing to invest in its facilities, with capital expenditure of £13.2m (2017: £11.8m) in the year and a corresponding annual depreciation charge of £5.7m (2017: £4.7m).

The acquisition of rigs utilised a combination of both cash and finance leases. During the year, the net position for finance leases increased by £2.7m.

The ROCE has decreased in the period to 23.5% at 30 April 2018 (2017: 30.6%), reflecting the additional capital expenditure investment during the year.

## Analysis of net debt

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Bank loans | **(1,125)** | (1,275) |
| Other loans | **(109)** | (205) |
| Finance leases | **(15,551)** | (12,836) |
| Total borrowings | **(16,785)** | (14,316) |
| Cash and cash equivalents | **10,880** | 12,858 |
| Net debt | **(5,905)** | (1,458) |

Net debt has increased by £4.4m to £5.9m at 30 April 2018, reflecting the net cash outflow from the impact of the liquidation of Carillion on cash collections and the movement in hire purchase obligations in support of 2018 capital investment.

## Return on capital employed

ROCE has reduced year on year from 30.6% to 23.5%, diluted until the £13.2m of this year's capital investment contributes fully for a whole 12 month period. Capital expenditure over the short term is forecast to reduce significantly as our investment programme is nearing completion, which should bring an improvement in ROCE in due course.

## Cash flow summary

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Operating cash flows before working capital | **15,417** | 14,380 |
| Working capital movements | **(2,173)** | (1,251) |
| Cash generated from operations | **13,244** | 13,129 |
| Net interest paid | **(536)** | (422) |
| Income tax paid | **(1,768)** | (2,281) |
| Net cash generated from operating activities | **10,940** | 10,426 |
| Investing activities | **(4,732)** | (5,495) |
| Financing activities | **(8,186)** | 4,326 |
| Net increase in cash and cash equivalents | **(1,978)** | 9,257 |

The Group has always placed a high priority on cash generation and the active management of working capital. Cash generated from operations was £13.2m (2017: £13.1m), representing an operating cash conversion of 86% (2017: 92%).

**Paul Pearson**
**Chief Financial Officer**
25 July 2018

# Board of Directors and Executive Committee

## CHAIRMAN'S INTRODUCTION TO GOVERNANCE

"The Board is committed to building the future success of the Group from a strong governance framework."

Dear Shareholder,

The Board recognises our responsibility for good governance which is fundamental to effectively managing the business and delivering to you, long-term shareholder value.

The Board is committed to building the future success of the Group from a strong governance framework operated throughout the Group, recognising the importance of leading by example to guide our people's behaviour and, by doing so, ensuring we demonstrate and deliver the right values across the Group.

The corporate governance statement on page 36 sets out the Board's approach to delivering this strong framework and sets out the governance structure, including the roles and responsibilities of the three Non-Executive Directors and details of the three Committees, Audit, Nomination and Remuneration, all of which assist the Board in performing its governance function efficiently and correctly.

Shareholders will be aware that we strengthened the composition of the Board during the year with the addition of David Hurcomb as a new Non-Executive Director in November 2017.

Also, the Chief Executive Officer role has been filled following the resignation of Jon Fenton who left the business in May 2018. Mark Cutler is due to start in mid-August.

Having implemented these changes during the year, the focus of the Board will be directed to continuing the growth and efficient operational performance of the Group, thus ensuring the delivery of long-term shareholder value.

Adrian Barden
**Non-Executive Chairman**
25 July 2018

### Chief Executive Officer
**Position to be filled by October 2018**
Jon Fenton resigned as CEO on 18 May 2018. His replacement will join the Board no later than October 2018.

## BOARD OF DIRECTORS

### Adrian Barden
**Non-Executive Chairman**

Mr Barden has worked in the construction materials industry for over 40 years across Europe, and was previously chairman of the Construction Products Association and chief business development officer of Wolseley plc, as well as a board member of Sanitec Corporation Sweden and Volution Group PLC. Mr Barden is currently non-executive Chairman of Quinn Building Products Ltd Ireland. Mr Barden is Chair of the Nomination Committee and a member of the Remuneration and Audit Committees.

## EXECUTIVE COMMITTEE

### Michael Mason
**Group Director**

Mr Mason joined the Company in 1995, starting as a grouting operative. He became the Group safety officer in 1997 and was promoted to Group Director in charge of health and safety, personnel, quality and training in 2002. Mr Mason is a qualified chartered safety professional.

### Paul Pearson

**Chief Financial Officer**

Mr Pearson is an FCCA qualified accountant with over 30 years' experience within finance. Mr Pearson joined the Group in 2013, having previously held senior finance roles with Yorkshire Electricity Group plc and May Gurney Limited. Since 2013 Mr Pearson has overseen the financing of capital expenditure of £45m in the last four years. He is ultimately responsible for leading the financial management of the Group's activities.

### Robin Williams

**Senior Independent Director**

Mr Williams is an engineering graduate and qualified chartered accountant with over 30 years' experience in listed companies, initially as an adviser and then as a senior executive in two FTSE 250 companies, including Hepworth plc, the building materials business. Mr Williams is chairman of FTSE-listed Xaar plc and other companies on AIM. Mr Williams is Chair of the Audit Committee and a member of the Remuneration and Nomination Committees.

### David Hurcomb

**Independent Non-Executive Director**

Mr Hurcomb, aged 53, 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. Mr Hurcomb is Chair of the Remuneration Committee and a member of the Audit and Nomination Committees.

### David Warner

**Construction Director**

Mr Warner is a qualified chartered civil engineer with extensive experience gained in the construction sector. He joined the Company in 2001 as a contracts manager before becoming divisional Director for the restricted access piling team. Mr Warner is now the Construction Director with responsibility for the oversight of large projects and key customer and primary contractor relationships. Prior to joining Van Elle, he held various project engineering and management roles in the engineering sector worldwide.

### Ian Jones

**Operations Director**

Mr Jones joined the Company in 1987, starting as a piling operative. He has held several roles during his 30 years of service with the Company and is now Operations Director with responsibility for ensuring the effective and efficient delivery of resources and compliance with internal standards and processes.

# Corporate governance statement

## The Group's structure has clear **lines of responsibility**

— **Paul Pearson**
Acting Company Secretary

### Introduction

Under AIM rules, the Group is not required to adopt the full Corporate Governance Code 2016 so, by September 2018, the Board will be adopting the Quoted Companies Alliance ("QCA") Corporate Governance Code complemented by applying any additional aspects of corporate governance considered appropriate for a company of its size and nature.

| | No. of meetings |
|---|---|
| Board meetings | 9 |
| Audit Committee | 6 |
| Nomination Committee | 2 |
| Remuneration Committee | 2 |

### Board composition and operation

The Board comprises two Executive and three Non-Executive Directors, of which one is Chairman. The names of the Directors together with their roles and biographical details are set out on pages 34 and 35. The roles of Chairman and Chief Executive are separated, clearly understood and have been agreed by the Board. The Chairman is responsible for the management of the Board and the Chief Executive is responsible for the operating performance of the Group.

BOARD COMPOSITION


A formal schedule of matters requiring Group Board approval is maintained and regularly reviewed, covering such areas as strategy, approval of budgets, financial results, Board appointments and dividend policy. The Board met nine times during the year. The meetings are conducted to a set agenda with comprehensive briefing papers sent to all Directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

The Board intends to regularly conduct an appraisal of its own performance and that of each Director consisting of individual assessments using prescribed questionnaires to be completed by all Directors. The results will be reviewed, and individual feedback given, by an independent Non-Executive Director in respect of assessments of each of the other Directors and of the Board.

### Audit Committee

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

The Audit Committee met on six occasions during the year with the Chair also meeting with the auditor on two occasions without a company representative present. The operations of the Audit Committee are set out in the separate Audit Committee report on pages 38 to 40.

### Nomination Committee

The Nomination Committee comprises all three Non-Executive Directors and is chaired by Adrian Barden. The purpose of the Committee is to establish a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Nomination Committee met on two occasions during the year and instigated the search for the new CEO following Jon Fenton's resignation. The operations of the Nomination Committee are set out in the separate Nomination Committee report on page 41.

### Remuneration Committee

The Remuneration Committee comprises all Non-Executive Directors and is chaired by David Hurcomb. The Remuneration Committee is responsible for reviewing the performance of Executive Directors and determining their terms and conditions of service, including their remuneration and the grant of options. The Remuneration Committee met on two occasions during the year. The Remuneration Committee report is set out on pages 42 and 43.

### Directors

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

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

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

### Internal controls

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

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

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

### Shareholder relationships

The Chairman and Non-Executive Directors will always make themselves available to meet with shareholders. Each AGM is an opportunity for this. Normal relationships with shareholders are maintained by the Executive Directors, who brief the Board on shareholder issues and relate the views of the Group's advisers to the Board. The Board believes that the disclosures set out on pages 4 to 33 of the annual report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

### Going concern basis

The Group's business activities, together with the key factors likely to affect its future development, performance and position, are set out in the Group financial review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Group financial review. In addition, note 21 of the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital, financial risk and management objectives. This also details financial instruments and exposure to price, interest rate, credit and liquidity risk. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future based on the following factors:

- the Group has prepared financial projections to 30 April 2021 which forecast positive earnings and cash generation;
- positive cash balance at 30 April 2018 and undrawn overdraft facilities of £3.0m;
- low levels of gearing and net debt (£5.9m at 30 April 2018); and
- high levels of interest cover (18 times at 30 April 2018).

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

### Forward-looking statements

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

### Approval

The Board approved the corporate governance report on 25 July 2018.

By order of the Board

**Paul Pearson**
Acting Company Secretary
25 July 2018

# Audit Committee report

— **Robin Williams**
Chairman of the Audit Committee

Dear Shareholder,

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

## Roles and responsibilities

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

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

In relation to the external audit:

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

## Membership and attendance

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

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

## 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, trading update and received reports from the external auditor; and in 2018 the impact of the liquidation of Carillion was reviewed and quantified in respect of the bad debt charge for reporting and disclosure requirements;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts;
- reviewed management representation letters, going concern reviews and significant areas of accounting estimates and judgements (including exceptional items, intangible assets and share-based payments); and
- reported to the Board on the appropriateness of accounting policies and practices.

### Risk management:

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

### External audit and non-audit work:

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

### Compliance:

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

## External audit

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

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

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

## Internal audit

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

## Internal controls and risk management

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

The Group has a robust risk management process that follows a sequence of risk identification, assessment of probability and impact, and assigns an owner to manage mitigation activities. Throughout the year, the Group risk register and the methodology applied was the subject of review by senior management and updated to reflect new and developing areas which might impact business strategy. The Committee reviews the Group risk register each year to assess the actions being taken by senior management to monitor and mitigate the risks. The Group's principal risks and uncertainties are described on pages 16 and 17.

# Audit Committee report continued

## 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.

## Going concern

Financial projections covering a period of not less than two years are prepared to support the review of going concern. Sensitivities are calculated to ensure that headroom exists in both financial resources and covenants, both of which are sufficient.

## Significant accounting matters

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

- Revenue recognition – the revenue recognised in the accounts requires the use of estimates and judgements when assessing the percentage of work completed at the balance sheet date on contracts, the costs of the work required to complete the contract and the outcomes of claims and variations raised against the group by customers or third parties (see Note 4 on page 66). The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusions.
- The carrying value of trade receivables (including construction work in progress) – the Group holds material trade receivable balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. The Committee has reviewed the current year provisions against trade receivables, including an assessment of the adequacy of the prior year provisions, and is satisfied with management's conclusions that the provisioning levels are appropriate.
- Presentation of financial statements – the Committee has considered the presentation of the Group financial statements, and the presentation of exceptional items, the Carillion bad debt write-off and the items included within such categories. The Committee has discussed these items with management and agreed that the presentation is consistent with the Group's accounting policy and provides more meaningful information to shareholders about the underlying performance of the Group.

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

**Robin Williams**
Chairman of the Audit Committee
25 July 2018

# Nomination Committee report

— **Adrian Barden**
Chairman of the Nomination Committee

## Dear Shareholder,

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

## Roles and responsibilities

The key responsibilities of the Committee are:

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

## Membership and attendance

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

The Committee met twice during the year.

## 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 David Hurcomb as a Non Executive Director;
- completed a process for the replacement of John Fenton as CEO;
- reviewed succession planning for the Executive Directors and the senior management team;
- reviewed and approved the recommendations to be made to shareholders for the election of Directors at the Annual General Meeting; and
- reviewed the Committee's report in the annual report and accounts and recommended approval to the Board.

## Election of Directors

On the recommendation of the Committee and in line with the Company's Articles of Association all four Directors will stand for re-election at the Annual General Meeting. The biographical details of the Directors can be found on pages 34 and 35. The Committee considers that the performance of each of the Directors standing for election at the Annual General Meeting continues to be effective and each demonstrates commitment to their role.

## Board changes

On 1 November 2017, David Hurcomb was appointed as a Independent Non-Executive Director to the Board, taking on the role of Remuneration Committee Chair, and membership of the Audit and Nomination Comittees.

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

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

**Adrian Barden**
Chairman of the Nomination Committee
25 July 2018

# Remuneration Committee report

— **David Hurcomb**
Chairman of the Remuneration Committee

Dear Shareholder,

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

## Roles and responsibilities

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

The Committee's main responsibilities are:

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

## Membership and attendance

The Committee comprises the three independent Non-Executive Directors. By invitation, the meetings of the Committee may be attended by the Chief Executive Officer and the Chief Financial Officer. The Company Secretary acts as the Secretary to the Committee.

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

## Activities during the year

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

- reviewed and approved the remuneration policy for 2017/18;
- reviewed and approved the parameters of the Annual Bonus Plan, including performance measures and targets for 2017/18 for the Executive Directors and senior management team;
- considered and approved the LTIP awards to the Executive Directors and senior management;
- reviewed and approved remuneration package for the new CEO;
- reviewed market trends and developments in executive remuneration in advance of considering Executive Director and senior management team proposals for 2018/19;
- reviewed and approved Executive Director and senior management team salaries for 2018/19;
- reviewed performance measures for 2018/19 for the Executive Directors and senior management team; and
- reviewed the Committee's terms of reference.

## Performance and outcomes 2017/18

For 2017/18, the performance achieved against financial and operational targets resulted in no annual bonus being paid to the Executive Directors.

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

## Remuneration decisions for 2018/19

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

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

## Remuneration report

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

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

**David Hurcomb**
**Chairman of the Remuneration Committee**
25 July 2018

# Directors' remuneration policy

## Introduction

The policy described below is intended to apply for three years to 2018/19. However, the Committee will consider the remuneration policy annually to ensure that it remains aligned with the business' needs and is appropriately positioned relative to the market but there is no intention to revise the policy more frequently than every three years. We use target performance to estimate the total potential reward and benchmark it against reward packages paid by Van Elle's competitors (to the extent that they can be identified).

## Principles adopted

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

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

## Balancing short and long-term remuneration

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

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

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

## Performance measures and targets

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

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

## Differences in remuneration policy for all employees

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

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

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

## Statement of consideration of employment conditions elsewhere in the Group

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

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

## 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.<br>Salaries are reviewed annually and any changes are effective from 1 June in the financial year. | Increases only for inflation and in line with other employees unless there is a change in role or responsibility or alignment required to market levels. | None. |
| **BENEFITS** | | | |
| To provide benefits consistent with the role | The Company pays the cost of providing the benefits monthly or as required for one-off events such as receiving financial advice. | Cost of independent financial advice, car allowance and medical insurance and other benefits from time to time. | None. |
| **ANNUAL BONUS** | | | |
| To ensure a market-competitive package and link total cash reward to achievement of Company business objectives | Annual bonuses are paid three months after the end of the financial year end to which they relate.<br>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:<br>100% of salary for the CEO and 80% for the CFO.<br>60% of salary for other Executive Directors.<br>There is no minimum payment at threshold performance. | Reported operating profit.<br>Performance is measured over the financial year.<br>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.<br>Monthly contributions. | 5–10 % of salary. | None. |
| **LONG TERM INCENTIVE PLAN ("LTIP")** | | | |
| To augment shareholder alignment by providing Executive Directors with longer-term interests in shares | Annual grants of conditional share awards based on the achievement of profit targets.<br>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.<br>Grant size is determined by reference to achievement of profit targets (50% based on TSR and 50% based on EPS).<br>Vesting is dependent on service and performance conditions.<br>25% vests at threshold performance. | Service and performance conditions must be met over a three year period.<br>25% vesting if TSR ranked at median within comparator group.<br>100% vesting if TSR ranked in upper quartile.<br>25% vesting if EPS exceeds RPI CAGR plus 8%.<br>100% vesting if EPS exceeds RPI CAGR plus 15%.<br>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 Chairman and each of the Non-Executive Directors of the Company do not have service contracts. Each of these Directors has a letter of appointment which has an initial three year term which is renewable and is terminable by the Company or the individual on three months' written notice.

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

| Director | Date of service contract/letter of appointment |
|---|---|
| **Executive Directors** | |
| Jon Fenton | 21 September 2016 |
| Paul Pearson | 21 September 2016 |
| **Non-Executive Directors** | |
| Adrian Barden | 25 July 2016 |
| Robin Williams | 15 July 2016 |
| David Hurcomb | 1 November 2017 |

## Non-Executive Directors' fees policy

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

## Consideration of shareholder views

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

# Annual report on remuneration

## Single total figure of remuneration (audited)

The audited table below sets out the total remuneration for the Directors in the year ended 30 April 2018 with comparative figures for the year ended 30 April 2017.

| | Salary/fees £'000 | Benefits £'000 | Bonus £'000 | LTIP £'000 | Pension £'000 | **2018 Total £'000** | 2017 Total £'000 |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| Jon Fenton | 268 | 17 | — | — | 13 | **298** | 281 |
| Paul Pearson | 141 | 14 | — | — | 7 | **162** | 91 |
| **Non-Executive Directors** | | | | | | | |
| Adrian Barden | 97 | — | — | — | — | **97** | 43 |
| Robin Williams | 50 | — | — | — | — | **50** | 28 |
| David Hurcomb | 23 | — | — | — | — | **23** | — |
| **Aggregate emoluments** | 579 | 31 | — | — | 20 | **630** | 443 |

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

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

## Annual Bonus Plan (audited)

Bonuses are earned by reference to the financial year and paid in June following the end of the financial year. There is no bonus accruing to the Executive Directors in respect of the year ended 30 April 2018.

## Aggregate Directors' emoluments

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Salaries | **579** | 753 |
| Taxable benefits | **31** | 55 |
| Bonus | **—** | — |
| Pension allowances | **20** | 18 |
| **Subtotal** | **630** | 826 |
| Employers NI | **78** | 154 |
| **Total** | **708** | 980 |

## Payments for loss of office (audited)

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

## Payments to past Directors (audited)

There were no payments to past Directors in the year.

## Share awards granted during the year (audited)

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

The awards to Executive Directors are shown below:

| Directors | Scheme | Basis of award | Face value £'000 | % vesting at threshold | Number of shares | Vesting date |
|---|---|---|---|---|---|---|
| Jon Fenton | LTIP | 100% of salary | 260 | 25 | 260,000 | 26/10/19 |
| Paul Pearson | LTIP | | 125 | 25 | 125,000 | 26/10/19 |

The face value of the awards is calculated using the share price at the date of grant, 26 October 2016, which was £1.00 per share.

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

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

* Measured against a comparator group of 14 companies (i.e. 15 including Van Elle Holdings plc).

## Statement of Directors' shareholding and share interests (audited)

We believe that Executive Directors should have shareholdings in the Company to ensure that they are as closely aligned as possible with shareholder interests. Those Directors serving at the end of the year and their immediate families had interests in the share capital of the Company at 30 April 2018 as follows:

| | Ordinary shares held at 30 April 2018 Number | Options held at 30 April 2018 Number |
|---|---|---|
| **Executive Directors** | | |
| Jon Fenton | **5,614,165** | **260,000** |
| Paul Pearson | **—** | **125,000** |
| **Non-Executive Directors** | | |
| Adrian Barden | **107,920** | **—** |
| Robin Williams | **10,000** | **—** |
| David Hurcomb | **—** | **—** |

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

The new CEO's basic salary and benefits package has been agreed and approved by the Committee. The basic salary of Paul Pearson had a 9% increase during the year to £150,000. The level of increase for Paul Pearson reflects his increased level of responsibility as CFO of an AIM-listed company.

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

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

## Approval

The Directors' remuneration policy and the annual report on remuneration, together comprising the Directors' remuneration report, were approved by the Board of Directors on 17 July 2018 and signed on its behalf by the Remuneration Committee Chairman.

David Hurcomb
**Chairman of the Remuneration Committee**
25 July 2018

# Directors' report

## Introduction

The Directors present their annual report and the Group audited financial statements for the year ended 30 April 2018. The strategic report on pages 4 to 33, the corporate governance report on pages 36 to 49 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 4 to 33.

## Results and dividend

The Group's result for the year is shown in the consolidated statement of comprehensive income on page 58.

An interim dividend of 1.4p per share was paid to shareholders on 7 March 2018 and the Directors are recommending a final dividend in respect of the financial year ended 30 April 2018 of 2.3p per share. If approved, the final dividend will be paid on 28 September 2018 to shareholders on the register on 7 September 2018. The total dividend paid and proposed for the year amounts to 3.7p per share.

## Financial risk management

Information relating to the principal risks and uncertainties of the Group has been included within the strategic report. Further information relating to the financial risks of the Group has been included within note 21 of the consolidated financial statements.

## Directors

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

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

The biographies of the Directors in office at the end of the year are detailed on pages 34 and 35. Their interests in the ordinary shares of the Company are shown in the Directors' remuneration report on page 49. In addition to the interests in ordinary shares, the Group operates a performance share plan ("LTIP") for senior executives, under which certain Directors have been granted conditional share awards. Details of the share options granted are detailed in the Directors' remuneration report on page 49.

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

## Directors' indemnities

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

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

## Employees

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

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

Further details regarding employees are detailed in the corporate social responsibility statement on pages 18 to 21.

## 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 2018 the issued share capital of the Company was 80,000,000 ordinary shares of 2p each. Details of the share capital as at 30 April 2018 is shown in note 24 of the consolidated financial statements.

The market price of the Company's shares at the end of the financial year was £0.84 and the range of market prices during the year was between £0.79 and £1.07.

## 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 | 11,148,448 | 13.94 |
| Mr Michael Ellis | 7,498,527 | 9.37 |
| Close Asset Management | 5,362,023 | 6.70 |
| Miton Asset Management | 4,542,397 | 5.68 |
| Otus Capital Management | 4,463,667 | 5.58 |
| Mr Michael Mason | 4,186,961 | 5.23 |
| Mrs Joan Ellis | 4,061,764 | 5.08 |
| Mrs Suzanne Lindup | 3,006,773 | 3.76 |
| Mr Colin Winkworth | 2,470,701 | 3.09 |

## Corporate governance

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

## Going concern

The statement regarding going concern forms part of the corporate governance report and is set out on page 37.

## Annual General Meeting

The Annual General Meeting will be held at 10 a.m. on 18 September 2018 at One Wood Street, London, EC2V 7WS. The notice of Annual General Meeting, with explanatory notes, accompanies these financial statements.

## Disclosure of information to the auditor

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

## Independent auditor

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

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

**Paul Pearson**
Acting Company Secretary
25 July 2018

Registered office: Kirkby Lane, Pinxton, Nottinghamshire, NG16 6JA.

Company number: 04720018

# Statement of Directors' responsibilities

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

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

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

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

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

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

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

Paul Pearson
Acting Company Secretary
25 July 2018

# Independent auditor's report

To the members of Van Elle Holdings plc

## Opinion

We have audited the financial statements of Van Elle Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2018 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 company statement of financial position, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

# Independent auditor's report continued

To the members of Van Elle Holdings plc

## Key audit matters

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

## How our audit addressed the key audit matters

| Key Audit Matter | How We Addressed the Key Audit Matter in the Audit |
|---|---|
| **Recognition of revenue and attributable profit (or losses) on contracts:**<br><br>Refer to page 40 Significant Accounting Matters of the Audit Committee Report and notes 3 and 4 to the financial statements for the Directors' disclosures of the related accounting policies, critical judgements and estimates.<br><br>Revenue is recognised on the stage of completion of individual contracts as measured at the balance sheet date by quantity surveyors. 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.<br><br>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.<br><br>The potential outcomes for contracts can have an individual or collectively material impact on the financial statements, whether through error or management bias.<br><br>The extent of revenue and profit (or loss) to recognise on the contract in dispute referred to on page 66 represents an area of significant judgement within the financial statements, which involves an assessment of management and expert judgement involved. | We selected contracts from each operating segment for testing based on criteria that we considered increased the risk of material misstatement in the revenue recognised on the contract. This included contracts that were significant to a particular operating segment; contracts that had unusually high or low margins and disputed contracts.<br><br>• 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 of the contract as follows.<br><br>• We reconciled the revenue recognised in the year to the contracts.<br><br>• 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.<br><br>• We met with contract managers to and enquired on current progress on open contracts and final account negotiations on completed contracts substantiating explanations to supporting correspondence.<br><br>• For the individual contract referred to on page 66 which is in dispute with the customer we reviewed all correspondence on the matter to assess the range of potential outcomes. This included independent experts' reports instructed by the Directors and assessing the scope of work of the expert and their independence. Finally we considered the extent of disclosure provided on the judgements taken. |
| **Recoverability of amounts recoverable under construction contracts:**<br><br>Refer to page 40 Significant Accounting Matters of the Audit Committee Report and notes 3 and 4 to the financial statements for the Directors' disclosures of the related accounting policies, critical judgements and estimates.<br><br>This area was considered as a significant risk because amounts recoverable under contracts is where significant management judgement and estimates are involved in assessing the recoverability of outstanding balances on contracts including those that are under dispute. | We identified individual amounts recoverable under construction contracts balances which we considered presented the greatest risk of exposure either by size or by age.<br><br>Where amounts recoverable under contracts had not been supported by external certifications we agreed the balance to quantity surveyor applications at the year end and where applicable, external expert quantification opinions.<br><br>In light of the evidence available to us, we challenged the management's judgement in respect of the recoverability of the amounts recoverable on contracts with reference to our own assessments. |
| **Completeness and accuracy of the Disclosure of Carillion bad debt:**<br><br>Refer to page 40 Significant Accounting Matters of the Audit Committee Report and note 4 to the financial statements for the Directors' disclosures of critical accounting estimates and judgements.<br><br>This area was considered to be a significant risk because of the significant impact Carillion's liquidation had on the reported results and inaccurate or incomplete disclosure of the impact could materiality mislead users of the financial statements when assessing performance of the Group. | In addition to the audit procedures we carried out for the key audit matters on revenue recognition and attributable profit (or losses) on contracts and amounts recoverable under construction contracts, we assessed the latest position on Carillion and related ongoing contracts by reviewing correspondence with third parties including liquidators and held discussions with contract managers.<br><br>We reviewed the disclosures made in the Annual Report, including the strategic report to ensure they are appropriate and not materially misstated. |

## Our application of materiality

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

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

We determined materiality for the group to be £450,000 (2017: £800,000), which was based on 5% of profit before tax this year whilst 2017 was based on 7.5% of profit before tax. We believe that profit before tax represents one of the principal key performance indicators for the Group, and is a generally accepted auditing benchmark.

Financial statement materiality applied to the trading component of the group was £425,000 (2017: £760,000) and to the parent company was £120,000 (2017: £120,000). The parent company materiality was based on 2% of the fixed assets investment which has not changed from prior year.

Performance materiality was set at 75% (2017: 75%) of the above materiality levels based on a low level of expected misstatements.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £18,000 (2017: £40,000), which was set at 4% (2017: 5%) of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

## An overview of the scope of our audit

The group manages its central operations from the head office in Pinxton with regional offices at various locations throughout the UK to support its subsidiary day to day operations. As at the statement of financial position date, the group consists of the group holding company ('the parent company'), one trading subsidiary in the UK, and three dormant subsidiaries. The parent company and the trading subsidiary, Van Elle Limited, are considered significant components of the group. The group engagement team carried out full scope audits on these significant components 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.

# Independent auditor's report continued

To the members of Van Elle Holdings plc

## Other information

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

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

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of Directors

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

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

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

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

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

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

## Use of our report

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

**Gareth Singleton**
**(Senior Statutory Auditor)**
**For and on behalf of BDO LLP, Statutory Auditor**
**Nottingham**
25 July 2018

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

# Consolidated statement of comprehensive income

For the year ended 30 April 2018

| | Note | **2018 £'000** | 2017 £'000 |
|---|---|---|---|
| **Revenue** | 5 | **103,872** | 94,093 |
| Cost of sales | | **(69,480)** | (60,712) |
| **Gross profit** | | **34,392** | 33,381 |
| Administrative expenses | | **(23,295)** | (22,018) |
| Other operating income | 6 | **—** | 200 |
| **Operating profit before exceptional costs and share-based payment expense** | | **11,097** | 11,563 |
| Share-based payment expense | 25 | **(148)** | (77) |
| Carillion bad debt write-off | | **(956)** | — |
| Exceptional costs | 7 | **(283)** | (1,781) |
| **Operating profit** | 8 | **9,710** | 9,705 |
| Finance expense | 10 | **(561)** | (436) |
| Finance income | 10 | **25** | 14 |
| **Profit before tax** | | **9,174** | 9,283 |
| Income tax expense | 11 | **(1,835)** | (1,930) |
| **Total comprehensive income for the year** | | **7,339** | 7,353 |
| **Earnings per share (pence)** | | | |
| Basic | 13 | **9.2** | 9.8 |
| Diluted | 13 | **9.2** | 9.8 |

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

The notes on pages 62 to 79 form part of these financial statements.

# Consolidated statement of financial position

As at 30 April 2018

| | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **39,502** | 32,110 |
| Intangible assets | 15 | **2,324** | 2,330 |
| | | **41,826** | 34,440 |
| **Current assets** | | | |
| Inventories | 16 | **2,565** | 2,423 |
| Trade and other receivables | 17 | **22,225** | 18,796 |
| Cash and cash equivalents | | **10,880** | 12,858 |
| | | **35,670** | 34,077 |
| **Total assets** | | **77,496** | 68,517 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **17,353** | 15,882 |
| Loans and borrowings | 20 | **5,580** | 4,461 |
| Corporation tax payable | | **753** | 878 |
| | | **23,686** | 21,221 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 20 | **11,205** | 9,855 |
| Provisions | 22 | **270** | 342 |
| Deferred tax | 23 | **969** | 778 |
| | | **12,444** | 10,975 |
| **Total liabilities** | | **36,130** | 32,196 |
| **Net assets** | | **41,366** | 36,321 |
| **Equity** | | | |
| Share capital | 24 | **1,600** | 1,600 |
| Share premium | | **8,633** | 8,633 |
| Retained earnings | | **31,115** | 26,070 |
| Non-controlling interest | | **18** | 18 |
| **Total equity** | | **41,366** | 36,321 |

The financial statements were approved and authorised for issue by the Board of Directors on 25 July 2018 and were signed on its behalf by:

P Pearson
Chief Financial Officer

The notes on pages 62 to 79 form part of these financial statements.

# Consolidated statement of cash flows

For the year ended 30 April 2018

| | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 27 | **13,244** | 13,129 |
| Interest received | | **25** | 14 |
| Interest paid | | **(561)** | (436) |
| Income tax paid | | **(1,768)** | (2,281) |
| Net cash generated from operating activities | | **10,940** | 10,426 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(5,053)** | (5,562) |
| Disposal of property, plant and equipment | | **321** | 138 |
| Purchases of intangibles | | **—** | (71) |
| Net cash absorbed in investing activities | | **(4,732)** | (5,495) |
| **Cash flows from financing activities** | | | |
| Proceeds from bank borrowings | | **—** | — |
| Repayment of bank borrowings | | **(150)** | (150) |
| Proceeds from Invest to Grow loan | | **—** | 260 |
| Repayments of Invest to Grow loan | | **(95)** | (55) |
| Issue of shares (net of issue costs) | | **—** | 8,833 |
| Payments to finance lease creditors | | **(5,421)** | (3,882) |
| Dividends paid | | **(2,520)** | (680) |
| Net cash generated from/(absorbed in) financing activities | | **(8,186)** | 4,326 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,978)** | 9,257 |
| Cash and cash equivalents at beginning of year | | **12,858** | 3,601 |
| **Cash and cash equivalents at end of year** | 28 | **10,880** | 12,858 |

The notes on pages 62 to 79 form part of these financial statements.

# Consolidated statement of changes in equity

For the year ended 30 April 2018

| | Share capital £'000 | Share premium £'000 | Non-controlling interest £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Balance at 1 May 2016 | 1,006 | — | 18 | 19,728 | 20,752 |
| Total comprehensive income | — | — | — | 7,353 | 7,353 |
| Share redesignation | 63 | — | — | — | 63 |
| Issue of bonus shares | 331 | — | — | (331) | — |
| Issue of ordinary shares on IPO | 200 | 9,800 | — | — | 10,000 |
| Share issue costs | — | (1,167) | — | — | (1,167) |
| Dividends paid | — | — | — | (680) | (680) |
| **Balance at 30 April 2017** | 1,600 | 8,633 | 18 | 26,070 | 36,321 |
| Total comprehensive income | — | — | — | 7,339 | 7,339 |
| Share-based payment expense | — | — | — | 225 | 225 |
| Dividends paid | — | — | — | (2,520) | (2,520) |
| **Balance at 30 April 2018** | **1,600** | **8,633** | **18** | **31,115** | **41,366** |

The notes on pages 62 to 79 form part of these financial statements.

# Notes to the consolidated financial statements

For the year ended 30 April 2018

## 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 2018. A list of subsidiaries and their countries of incorporation is presented in note 5 of the parent company financial statements on page 83.

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

The address of the Company's registered office is Van Elle Holdings plc, Kirkby Lane, Pinxton, Nottinghamshire NG16 6JA. 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 25 July 2018.

## 2. Basis of preparation

### Basis of accounting

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

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates, which are outlined in the critical accounting estimates and judgements section of the accounting policies disclosed in note 3.

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

### Going concern

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

### Underlying profit before tax and earnings

The Directors consider that underlying operating profit, underlying earnings before depreciation and amortisation ("EBITDA"), underlying profit before taxation and underlying earnings per share measures referred to in these Group financial statements, provide useful information for shareholders on underlying trends and performance. Underlying measures reflect adjustments adding back the exceptional costs, share-based payment charges and the taxation thereon where relevant. A bad debt of £1.0m relating to the liquidation of Carillion was charged in the comprehensive income statement in 2018.

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

### Adoption of new and revised standards

**New standards, interpretations and amendments effective from 1 May 2017**

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 May 2017 that had a significant effect on the Group's financial statements, although an amendment to IAS 7 Statement of Cash Flows has resulted in a reconciliation of liabilities disclosed for the first time in note 28.

**New standards, interpretations and amendments not yet effective**

IFRS 15 Revenue from Contracts with Customers has been adopted by the EU with an effective date of 1 January 2018. This standard modifies the determination of how much revenue to recognise and when, and provides a single, principles-based five-step model to be applied to all contracts with customers. It replaces the separate models for goods, services and construction contracts under current IFRS.

The Group has assessed the impact of the standard and does not expect the standard to have a significant impact on the Group's results. The standard is only expected to impact those contracts that are ongoing at the end of a reporting period and have multiple performance obligations and/or contract modifications. With a typical contract size of circa. £100,000 with short duration, for the vast majority of contracts revenue will continue to be recognised in the year. It is not possible to quantify the expected financial impact on the results for the year ended 30 April 2019, the first applicable year, as the application of the standard is dependent on the specific details of contracts ongoing at 30 April 2019. For the limited number of contracts that will be ongoing at the end of a reporting period and have multiple performance obligations and/or contract modifications, these will need to be considered on a contract-by-contract basis. Given that the Group's largest contract only contributed 5% of revenue in the current year, any impact of the standard on the Group's reported revenue is likely to be limited.

For the position at 30 April 2018, the Group's assessment has concluded this impact to be immaterial.

IFRS 9 addresses the classification and measurement of financial assets and will replace IAS 39. The standard also introduces a forward-looking credit loss impairment model whereby entities will need to consider and potentially recognise impairment triggers that might occur in the future. The Directors have considered the potential impact of this on financial assets and liabilities as set out in note 21 and do not consider that there would have been an impact if the standard was adopted early. The standard is effective for accounting periods commencing on or after 1 January 2018, as adopted by the European Union. This standard has been considered by the Directors and is not expected to have a material impact on the financial statements of the Group for the year ended 30 April 2019.

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

The standard is effective for accounting periods beginning on or after 1 January 2019, as adopted by the European Union. The Directors have reviewed the impact of this standard and believe that as a result of adopting this standard an asset for operating leases will be shown in the balance sheet based on the discounted minimum future lease payments as disclosed in note 29. More detailed analysis is being carried out during this year which will be disclosed in the financial statements for the year ended 30 April 2019 before its application in the year ended 30 April 2020.

## 3. Significant accounting policies

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

### Basis of consolidation

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

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

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

Any changes in ownership in minority interests is accounted for as an equity transaction.

### Revenue

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

In the case of contracts, when the outcome can be assessed reliably, contract revenue is recognised by reference to the stage of completion of the contract activity at the statement of financial position date. The stage of completion of the contract at the statement of financial position date is assessed regarding the costs incurred to date as a percentage of the total expected costs.

Margin on contracts is calculated in accordance with accounting standards and industry practice. Industry practice is to assess the estimated outcome of each contract and recognise the revenue and margin based upon the stage of completion of the contract at the statement of financial position date. The assessment of the outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

The gross amount receivable from customers for contract work is presented as an asset for all contracts in progress for which costs incurred, plus recognised profits (or less recognised losses), exceed progress billings.

The gross amount repayable to or paid in advance by customers for contract work is presented as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Margin associated with contract variations is only recognised when the outcome of the contract negotiations can be reliably estimated. Costs relating to contract variations are recognised as incurred. Revenue is recognised up to the level of the costs which are deemed to be recoverable under the contract.

### 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

The Group's income statement separately identifies exceptional items. Such items are those that in the Directors' judgement are one off in nature or non-operating and need to be disclosed separately by their size or incidence and may include, but are not limited to, restructuring costs, acquisition-related costs and costs associated with the IPO. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides an additional understanding of the performance of the Group.

### Taxation

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

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

### Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

### Property, plant and equipment

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

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

# Notes to the consolidated financial statements continued

For the year ended 30 April 2018

## 3. Significant accounting policies continued

### Property, plant and equipment continued

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

| | | |
|---|---|---|
| Freehold buildings | – | 10%–20% per annum straight line |
| Plant and machinery | – | 10%–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.

### Intangible assets

#### Goodwill

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

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

#### Computer software

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

### Impairment of non-financial assets

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

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

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

### Inventories

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

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

### Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

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

#### Fair value through profit or loss

The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

#### Loans and receivables

These arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the customer or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable and for trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and, for the statement of cash flows, bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

### Financial liabilities

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

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

#### Fair value through profit or loss

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

## 3. Significant accounting policies continued

### Financial liabilities continued

#### Other financial liabilities

Other financial liabilities include the following items:

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

### Government grants

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

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

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

### Retirement benefit cost

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

### Leased assets

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

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

### Provisions

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

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

### Deferred taxation

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

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

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

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

### Share capital

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

### Share-based payments

The Group operates two equity-settled share-based payment plans, details of which can be found in note 25 to the consolidated financial statements.

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

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

## 4. Critical accounting estimates and judgements

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

### Contracts

The Group's approach to key estimates and judgements relating to construction contracts is set out in the revenue recognition policy above. The main factors considered when making those estimates and judgements include the costs of the work required to complete the contract in order to estimate the percentage of completion, and the outcome of claims raised against the Group by customers or third parties.

This year's revenue includes an estimate for a final account settlement that is still to be concluded but has been assessed by the Board on a prudent basis and the anticipated outcome is reflected in the full year turnover.

The Directors have taken legal and independent expert advice on the potential outcome to ensure that the estimate is as accurate as possible. Consideration has been given by the Directors to contractual terms and the work performed when arriving at the value of the amount claimed, which is approximately £0.7m.

In addition to the aforementioned, the Group recognises impairment provisions in respect of bad and doubtful trade debtors. The judgements and estimates necessary to calculate these provisions are based on historical experience and other reasonable factors.

### Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful economic lives based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for appropriateness.

## 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 22 to 29. All turnover and operations are based in the UK.

### Operating segments – 30 April 2018

| | General Piling £'000 | Specialist Piling £'000 | Ground Engineering Services £'000 | Ground Engineering Products £'000 | Head office £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Total revenue | 46,066 | 30,299 | 18,677 | 16,384 | — | 111,426 |
| Inter-segment revenue | (2,942) | (412) | (1,175) | (3,025) | — | (7,554) |
| **Revenue** | 43,124 | 29,887 | 17,502 | 13,359 | — | 103,872 |
| **Operating profit** | | | | | | |
| Underlying operating profit | 5,693 | 4,073 | 306 | 1,025 | — | 11,097 |
| Share-based payments | — | — | — | — | (148) | (148) |
| Exceptional item | — | (956) | — | — | (283) | (1,239) |
| **Operating profit** | 5,693 | 3,117 | 306 | 1,025 | (431) | 9,710 |
| Finance expense | — | — | — | — | (561) | (561) |
| Finance income | — | — | — | — | 25 | 25 |
| **Profit before tax** | 5,693 | 3,117 | 306 | 1,025 | (967) | 9,174 |
| **Assets** | | | | | | |
| Property, plant and equipment | 13,513 | 10,218 | 4,163 | 2,913 | 8,695 | 39,502 |
| Inventories | 297 | 420 | 156 | 1,693 | — | 2,566 |
| Reportable segment assets | 13,810 | 10,638 | 4,319 | 4,606 | 8,695 | 42,068 |
| Intangible assets | — | — | — | — | 2,324 | 2,324 |
| Trade and other receivables | — | — | — | — | 22,225 | 22,225 |
| Cash and cash equivalents | — | — | — | — | 10,880 | 10,880 |
| **Total assets** | 13,810 | 10,638 | 4,319 | 4,606 | 44,124 | 77,496 |
| **Liabilities** | | | | | | |
| Loans and borrowings | — | — | — | — | 16,785 | 16,785 |
| Trade and other payables | — | — | — | — | 18,106 | 18,106 |
| Provisions | — | — | — | — | 270 | 270 |
| Deferred tax | — | — | — | — | 969 | 969 |
| **Total liabilities** | — | — | — | — | 36,130 | 36,130 |
| **Other information** | | | | | | |
| Capital expenditure | 5,059 | 2,636 | 2,070 | 1,782 | 1,603 | 13,150 |
| Depreciation/amortisation | 2,002 | 2,114 | 685 | 242 | 662 | 5,705 |

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

# Notes to the consolidated financial statements continued

For the year ended 30 April 2018

## 5. Segment information continued

### Operating segments – 30 April 2017

| | General Piling £'000 | Specialist Piling £'000 | Ground Engineering Services £'000 | Ground Engineering Products £'000 | Head office £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Total revenue | 45,008 | 30,126 | 10,621 | 13,714 | — | 99,469 |
| Inter-segment revenue | (2,103) | — | — | (3,273) | — | (5,376) |
| **Revenue** | 42,905 | 30,126 | 10,621 | 10,441 | — | 94,093 |
| **Operating profit** | | | | | | |
| Underlying operating profit | 4,685 | 5,355 | 772 | 751 | — | 11,563 |
| Share-based payments | — | — | — | — | (77) | (77) |
| Exceptional item | — | — | — | — | (1,781) | (1,781) |
| **Operating profit** | 4,685 | 5,355 | 772 | 751 | (1,858) | 9,705 |
| Finance expense | — | — | — | — | (436) | (436) |
| Finance income | — | — | — | — | 14 | 14 |
| **Profit before tax** | 4,685 | 5,355 | 772 | 751 | (2,280) | 9,283 |
| **Assets** | | | | | | |
| Property, plant and equipment | 10,456 | 9,696 | 2,778 | 1,373 | 7,807 | 32,110 |
| Inventories | 414 | 370 | 179 | 1,460 | — | 2,423 |
| Reportable segment assets | 10,870 | 10,066 | 2,957 | 2,833 | 7,807 | 34,533 |
| Intangible assets | — | — | — | — | 2,330 | 2,330 |
| Trade and other receivables | — | — | — | — | 18,796 | 18,796 |
| Cash and cash equivalents | — | — | — | — | 12,858 | 12,858 |
| **Total assets** | 10,870 | 10,066 | 2,957 | 2,833 | 41,791 | 68,517 |
| **Liabilities** | | | | | | |
| Loans and borrowings | — | — | — | — | 14,316 | 14,316 |
| Trade and other payables | — | — | — | — | 16,760 | 16,760 |
| Provisions | — | — | — | — | 342 | 342 |
| Deferred tax | — | — | — | — | 778 | 778 |
| **Total liabilities** | — | — | — | — | 32,196 | 32,196 |
| **Other information** | | | | | | |
| Capital expenditure | 4,267 | 2,948 | 1,841 | 668 | 2,041 | 11,765 |
| Depreciation/amortisation | 1,918 | 1,848 | 622 | 299 | — | 4,687 |

## 6. Other operating income

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Recovery in respect of insurance excess | **—** | 200 |

## 7. Exceptional costs

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Initial Public Offering ("IPO") | **—** | 1,452 |
| Other exceptional costs | **283** | 329 |
| | **283** | 1,781 |

### Initial Public Offering ("IPO")

The charge in the prior year represents fees and other costs arising because of the IPO which have not been treated as deductions against the share premium account. Of the exceptional charge of £1,452,000, approximately £104,000 is treated as tax deductible and the balance of £1,348,000 is treated as disallowed tax expenses in the tax computation (see note 11).

### Other exceptional items

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

The prior year other exceptional item relates to severance costs arising from the Board changes following the IPO and other legal matters arising as a consequence of the IPO. These are treated as fully tax deductible within the tax computation.

## 8. Operating profit

Operating profit is stated after charging/(crediting):

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Depreciation of property, plant and equipment | **5,705** | 4,655 |
| Amortisation of intangible assets | **44** | 32 |
| Government grants | **(9)** | (5) |
| Operating lease expense: | | |
| – Plant and machinery on short-term hire | **3,666** | 3,260 |
| – Other | **158** | 235 |
| Profit on disposal of property, plant and equipment | **(267)** | (89) |
| Fees payable to the Company's auditor for the audit of the Group financial statements | **15** | 12 |
| Fees payable to the Company's auditor for other services: | | |
| – Audit of financial statements of subsidiaries pursuant to legislation | **37** | 30 |
| – Taxation compliance | **10** | 4 |
| – Non-audit assurance services | **16** | 13 |
| Costs of service-based claims made against the Group | **—** | — |
| Insurance proceeds received in respect of service-based claims made against the Group | **—** | — |

## 9. Staff costs

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

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Employee benefits expenses (including Directors): | | |
| Wages and salaries | **26,059** | 23,645 |
| Social security contributions and similar taxes | **3,232** | 2,640 |
| Defined contribution pension cost | **292** | 260 |
| Share-based payments (note 25) | **148** | 77 |
| | **29,731** | 26,622 |
| Directors and key management personnel: | | |
| Wages and salaries | **1,911** | 2,097 |
| Defined contribution pension cost | **59** | 50 |
| Share-based payments (note 25) | **148** | 77 |
| | **2,118** | 2,224 |

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

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

| | 2018 Number | 2017 Number |
|---|---|---|
| Administrative | **173** | 164 |
| Operative | **402** | 365 |
| | **575** | 529 |

## 10. Finance income and expense

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Finance income** | | |
| Interest received on bank deposits | **25** | 14 |
| **Finance expense** | | |
| Finance leases | **527** | 394 |
| Loan interest | **34** | 42 |
| | **561** | 436 |

# Notes to the consolidated financial statements continued

For the year ended 30 April 2018

## 11. Income tax expense

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Current tax expense** | | |
| Current tax on profits for the year | **1,647** | 2,060 |
| Adjustment for (over)/under provision in the prior period | **(3)** | (196) |
| Total current tax | **1,644** | 1,864 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **188** | 103 |
| Recognition of previously unrecognised deferred tax assets | **3** | 3 |
| Effect of decreased tax rate on opening balance | **—** | (40) |
| Total deferred tax | **191** | 66 |
| **Income tax expense** | **1,835** | 1,930 |

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:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Profit before income taxes | **9,174** | 9,283 |
| Tax using the standard corporation tax rate of 19% (2017: 20%) | **1,743** | 1,849 |
| Adjustments for (over)/under provision in previous periods | **—** | (193) |
| Expenses not deductible for tax purposes | **81** | 288 |
| Non-qualifying depreciation | **11** | — |
| Short-term timing differences | **—** | (14) |
| Total income tax expense | **1,835** | 1,930 |

During the year ended 30 April 2018, because of the reduction in the UK corporation tax rate from 20% to 19% from 1 April 2017, corporation tax has been calculated at 18.9% of estimated assessable profit for the year (2017: 19.9%).

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of the deferred tax at the statement of financial position date. The closing deferred tax liability at 30 April 2018 has been calculated at 17%, reflecting the tax rate at which the deferred tax is expected to be utilised in future periods.

## 12. Dividends

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Final dividend – year ended 2017** | | |
| 1.75p per ordinary share paid during the year | **1,400** | — |
| **Interim dividend – year ended 2018** | | |
| 0.85p per ordinary share paid during the year | **1,120** | 680 |
| | **2,520** | 680 |

The proposed final dividend for the year ended 30 April 2018 of 2.3p per share amounting to £1,840,000, and representing a total dividend of 3.7p per share for the full year, will be paid on 28 September 2018 to the shareholders on the register at the close of business on 7 September 2018. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 13. Earnings per share

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

| | 2017 '000 | 2016 '000 |
|---|---|---|
| **Basic weighted average number of shares** | **80,000** | 75,123 |
| Dilutive potential ordinary shares from share options | **—** | — |
| Diluted weighted average number of shares | **80,000** | 75,123 |

| | £'000 | £'000 |
|---|---|---|
| Profit for the year | **7,339** | 7,353 |
| Add back/(deduct): | | |
| Share-based payments | **148** | 77 |
| Exceptional costs and Carillion bad debt | **1,239** | 1,781 |
| Tax effect of the above | **(210)** | (86) |
| Underlying profit for the year | **8,516** | 9,125 |

| | Pence | Pence |
|---|---|---|
| **Earnings per share** | | |
| Basic | **9.2** | 9.8 |
| Diluted | **9.2** | 9.8 |
| Basic – excluding exceptional costs, Carillion bad debt and share-based payments | **10.6** | 12.1 |
| Diluted – excluding exceptional costs, Carillion bad debt and share-based payments | **10.6** | 12.1 |

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders and on 80,000,000 ordinary shares (2017: 75,123,288) being the weighted average number of ordinary shares. In accordance with IAS 33, the weighted average number of shares in issue during the period has been retrospectively adjusted for the proportionate change in the number of the shares outstanding because of the bonus issue and share splits that occurred on admission to AIM.

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

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

## 14. Property, plant and equipment

| | Land and buildings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Office equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 May 2016 | 4,852 | 29,698 | 8,059 | 1,127 | 43,736 |
| Additions | 1,377 | 8,355 | 1,904 | 58 | 11,694 |
| Disposals | — | (155) | (243) | — | (398) |
| Transfers/adjustments* | 21 | (4,451) | (2,409) | (829) | (7,668) |
| At 1 May 2017 | 6,250 | 33,447 | 7,311 | 356 | 47,364 |
| Additions | 537 | 10,881 | 1,652 | 80 | 13,150 |
| Disposals | — | (1,047) | (208) | — | (1,255) |
| **At 30 April 2018** | **6,787** | **43,281** | **8,755** | **436** | **59,259** |
| **Accumulated depreciation** | | | | | |
| At 1 May 2016 | 222 | 13,474 | 4,093 | 827 | 18,616 |
| Charge for the year | 206 | 3,346 | 1,049 | 54 | 4,655 |
| Disposals | — | (139) | (210) | — | (349) |
| Transfers/adjustments* | 4 | (4,538) | (2,452) | (682) | (7,668) |
| At 1 May 2017 | 432 | 12,143 | 2,480 | 199 | 15,254 |
| Charge for the year | 259 | 4,187 | 1,195 | 64 | 5,705 |
| Disposals | — | (1,044) | (158) | — | (1,202) |
| **At 30 April 2018** | **691** | **15,286** | **3,517** | **263** | **19,757** |
| **Net book value** | | | | | |
| At 30 April 2017 | 5,818 | 21,304 | 4,831 | 157 | 32,110 |
| **At 30 April 2018** | **6,096** | **27,995** | **5,238** | **173** | **39,502** |

* The adjustment in the prior year relates to the clean-up of the fixed asset register for legacy assets, in particular the removal of fully depreciated assets which are no longer separately identifiable or considered to exist.

# Notes to the consolidated financial statements continued

For the year ended 30 April 2018

## 14. Property, plant and equipment continued

The net carrying amount of property, plant and equipment includes the following amounts held under finance leases: plant and machinery £20,246,000 (2017: £16,412,000) and motor vehicles £3,130,000 (2017: £2,218,000). The depreciation charges for these assets were £2,848,000 and £402,000 (2017: £1,934,000 and £367,085) respectively.

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

Included within land and buildings are £nil (2017: £455,000) of assets in the course of construction.

## 15. Intangible assets

| | Goodwill £'000 | Software £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 May 2016 | 2,179 | 112 | 2,291 |
| Additions | — | 71 | 71 |
| At 1 May 2017 | 2,179 | 183 | 2,362 |
| Additions | — | 38 | 38 |
| **At 30 April 2018** | **2,179** | **221** | **2,400** |
| **Accumulated amortisation** | | | |
| At 1 May 2016 | — | — | — |
| Charge for the year | — | — | — |
| At 1 May 2017 | — | 32 | 32 |
| Charge for the year | — | 44 | 44 |
| Disposals | — | — | — |
| **At 30 April 2018** | **—** | **76** | **76** |
| **Net book value** | | | |
| At 30 April 2017 | 2,179 | 151 | 2,330 |
| **At 30 April 2018** | **2,179** | **145** | **2,324** |

### Goodwill

Goodwill acquired is allocated, at acquisition, to CGUs that are expected to benefit from that business combination. The carrying value of goodwill is allocated as follows:

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| General Piling | **1,147** | 1,147 |
| Specialist Piling | **742** | 742 |
| Ground Engineering Services | **240** | 240 |
| Ground Engineering Products | **50** | 50 |
| | **2,179** | 2,179 |

The Group tests annually for impairment of goodwill. The recoverable amounts of CGUs are determined using value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on the Board-approved budget for the year ended 30 April 2019. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

The rate used to discount the projected cash flows is a pre-tax risk-adjusted discount rate of 10.2% for all business segments. The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 16 and 17, would also impact each CGU in a similar manner.

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

## 16. Inventories

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Raw materials and consumables | **1,430** | 1,423 |
| Work in progress | **1,135** | 1,000 |
| | **2,565** | 2,423 |

There were no impairment losses relating to damaged or obsolete inventories in the current or previous periods. The costs of materials recognised as an expense within cost of sales is £35,725,000 (2017: £31,337,000).

## 17. Trade and other receivables

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Trade receivables | **17,411** | 14,903 |
| Construction work in progress | **1,693** | 2,438 |
| Less: provision for impairment | **—** | (135) |
| Trade receivables – net | **19,104** | 17,206 |
| Receivables from related parties | **—** | — |
| Financial assets classified as loans and receivables | **19,104** | 17,206 |
| Prepayments | **3,111** | 1,512 |
| Other receivables | **10** | 78 |
| | **22,225** | 18,796 |

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

All amounts shown under receivables fall due within one year and trade receivables include amounts recoverable on contracts that have been charged to customers and recorded within revenue.

As of 30 April 2018, trade receivables include the Carillion bad debt write off of £965,000. Further details are disclosed in the Key Performance Indicators, the Executive Directors' Review and the Financial Review.

As at 30 April 2018 trade receivables of £8,181,000 (2017: £7,230,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Up to 3 months | **7,323** | 6,745 |
| 3 to 6 months | **603** | 187 |
| 6 to 12 months | **241** | 264 |
| Over 12 months | **14** | 34 |
| | **8,181** | 7,230 |

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

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| At 1 May | **135** | 25 |
| Increase during the year | **821** | 135 |
| Receivable written off during the year as uncollectable | **(956)** | — |
| Unused amounts reversed | **—** | (25) |
| **At 30 April** | **—** | 135 |

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

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

## 18. Construction contracts

Construction contracts in progress at the balance sheet date:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Contract costs incurred plus recognised profits (less losses) to date | **51,614** | 59,723 |
| Retentions withheld by customers | **59** | 148 |
| Advances received | **174** | 104 |

## 19. Trade and other payables

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Trade payables | **15,846** | 14,084 |
| Other payables | **295** | 326 |
| Accruals | **459** | 901 |
| Financial liabilities measured at amortised cost | **16,600** | 15,311 |
| Tax and social security payments | **753** | 571 |
| | **17,353** | 15,882 |

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

# Notes to the consolidated financial statements continued

For the year ended 30 April 2018

## 20. Loans and borrowings

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Non-current** | | |
| Bank loans secured | **975** | 1,125 |
| Other loans secured | **12** | 108 |
| Finance leases (note 29) | **10,218** | 8,622 |
| | **11,205** | 9,855 |
| **Current** | | |
| Bank loans secured | **150** | 150 |
| Other loans secured | **97** | 97 |
| Finance leases (note 29) | **5,333** | 4,214 |
| | **5,580** | 4,461 |
| **Total loans and borrowings** | **16,785** | 14,316 |
| **Maturity of loans and borrowings** | | |
| Due within one year | **5,580** | 4,461 |
| Between two and five years | **11,205** | 9,855 |
| After more than five years | **—** | — |
| | **16,785** | 14,316 |

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

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

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

## 21. Financial instruments and risk management

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

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

### Financial instruments by category

| | Loans and receivables | |
|---|---|---|
| | 2018 £'000 | 2017 £'000 |
| **Financial assets** | | |
| Cash and cash equivalents | **10,880** | 12,858 |
| Trade and other receivables | **19,104** | 17,206 |
| **Total financial assets** | **29,984** | 30,064 |

| | Amortised cost | |
|---|---|---|
| | 2018 £'000 | 2017 £'000 |
| **Current financial liabilities** | | |
| Trade and other payables | **16,600** | 15,311 |
| Secured loans | **247** | 247 |
| Finance lease obligations | **5,333** | 4,214 |
| **Total current financial liabilities** | **22,180** | 19,772 |
| **Non-current financial liabilities** | | |
| Secured loans | **987** | 1,233 |
| Finance lease obligations | **10,218** | 8,622 |
| **Total non-current financial liabilities** | **11,205** | 9,855 |
| **Total financial liabilities** | **33,385** | 29,627 |

### Capital management

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown in note 28, 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.

## 21. Financial instruments and risk management continued

### 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 ageing of trade receivables that were past due but not impaired is shown in note 17.

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

### Liquidity risk

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

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

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

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

| | Carrying value £'000 | Total £'000 | Due less than 3 months £'000 | Due between 3 and 12 months £'000 | Due within 1 to 5 years £'000 |
|---|---|---|---|---|---|
| **At 30 April 2018** | | | | | |
| Trade and other payables | **16,600** | **16,600** | **16,600** | **—** | **—** |
| Secured loans | **1,234** | **1,295** | **70** | **207** | **1,018** |
| Finance lease obligations (note 29) | **15,551** | **17,031** | **1,459** | **4,377** | **11,195** |
| | **33,385** | **34,926** | **18,129** | **4,584** | **12,213** |
| At 30 April 2017 | | | | | |
| Trade and other payables | 15,311 | 15,311 | 15,311 | — | — |
| Secured loans | 1,480 | 1,576 | 71 | 210 | 1,295 |
| Finance lease obligations (note 29) | 12,836 | 14,132 | 1,161 | 3,484 | 9,487 |
| | 29,627 | 31,019 | 16,543 | 3,694 | 10,782 |

### Market risk – interest rate risk

It is currently Group policy that 100% of external Group finance lease borrowings are fixed rate borrowings. Short-term overdraft and mortgage loans are at variable rates. Divisions are not permitted to borrow short term from external sources. At 30 April 2018, it is estimated that a general increase of one percentage point in interest rates would have a negligible impact on reported profit. The vast majority of debt on finance leases is on fixed rates.

# Notes to the consolidated financial statements continued

For the year ended 30 April 2018

## 22. Provisions

| | Warranty provision £'000 | Insurance provision £'000 | Total £'000 |
|---|---|---|---|
| At 1 May 2017 | 75 | 267 | 342 |
| Utilised | — | — | — |
| Additional provision | — | — | — |
| Released unused | (40) | (32) | (72) |
| **At 30 April 2018** | **35** | **235** | **270** |
| Due within one year | — | 19 | 19 |
| Due after more than one year | 35 | 216 | 251 |
| | **35** | **235** | **270** |

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, net of amounts covered by insurance.

Insurance provision comprises insurance policy excesses associated with insurance claims.

## 23. Deferred tax

| | Accelerated capital allowances £'000 | Short-term timing differences £'000 | Share-based payments £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 May 2016 | 713 | (1) | — | 712 |
| Charge to income statement | 67 | (1) | — | 66 |
| Charge/(credit) to equity | — | — | — | — |
| At 30 April 2017 | 780 | (2) | — | 778 |
| Charge/(credit) to income statement | 191 | — | — | 191 |
| Charge/(credit) to equity | — | — | — | — |
| **At 30 April 2018** | **971** | **(2)** | **—** | **969** |

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%) being the rate at which deferred tax is expected to reverse in the future (see note 11).

There is a further deferred tax asset of £nil (2017: £45,320) in respect of capital losses that have not been recognised in the financial statements, as it is not considered probable that there will be future capital profits in this entity.

## 24. Share capital

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **'000** | **£'000** | '000 | £'000 |
| **Authorised** | | | | |
| Ordinary shares of 2p each | **80,000** | **1,600** | 80,000 | 1,600 |
| **Total authorised share capital** | **80,000** | **1,600** | 80,000 | 1,600 |
| **Allotted, issued and fully paid** | | | | |
| Ordinary shares of 2p each | **80,000** | **1,600** | 80,000 | 1,600 |
| **Total allotted, issued and fully paid** | **80,000** | **1,600** | 80,000 | 1,600 |

### Share options

The maximum total number of ordinary shares which may vest in the future, in respect of conditional performance share plan awards at 30 April 2018, amounted to 2,461,254 (2017: 2,743,060). These shares will only be issued subject to satisfying certain performance criteria (note 25).

## 25. Share-based payments

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

The Group recognised total expenses of £148,000 (2017: £77,000) in respect of equity-settled share-based payment transactions in the year.

### Long Term Incentive Plan ("LTIP")

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

Details of the maximum total number of ordinary shares, which may be issued in future periods in respect of conditional share awards at 30 April 2018, is shown below.

| | **2018 Number** | 2017 Number |
|---|---|---|
| At 1 May | **1,155,000** | — |
| Granted in the year | **—** | 1,385,000 |
| Forfeited in the year | **(125,000)** | (230,000) |
| **At 30 April** | **1,030,000** | 1,155,000 |

The weighted average exercise price for all options is £0.02. Of the total number of options outstanding at 30 April 2018, none had vested or were exercisable.

The weighted average fair value of each option granted during the year was £0.93 (2017: £0.56). The weighted average remaining contractual life for share options outstanding at the balance sheet date was 30 months (2017: 47 months). The following information is relevant in the determination of the fair value of options granted during the year under the LTIP.

| | 2018 |
|---|---|
| Option pricing model used | Monte-Carlo simulation/Black-Scholes |
| Weighted average share price at grant date | £1.00 |
| Exercise price | £0.02 |
| Expected life | 3 years |
| Expected volatility | 36% |
| Dividend yield | 1.7% |
| Risk-free interest rate (zero-coupon bonds) | 1.5% |
| Fair value of option (weighted average) | £0.93 |

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

### Company Share Ownership Plan ("CSOP")

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

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 2018 is shown below.

| | **2018 Number** | 2017 Number |
|---|---|---|
| At 1 May | **1,588,060** | — |
| Granted – 26 October 2016 | **—** | 1,420,000 |
| Granted – 20 January 2017 | **—** | 168,060 |
| **Forfeited in the year** | **(156,806)** | — |
| **At 30 April** | **1,431,254** | 1,588,060 |

The weighted average exercise price for all options is £1.02. The weighted average remaining contractual life for share options outstanding at the balance sheet date for the combined grants was 44 months (2017: 67 months). Of the total number of options outstanding at 30 April 2018, none had vested or were exercisable.

# Notes to the consolidated financial statements continued

For the year ended 30 April 2018

## 25. Share-based payments continued

### Company Share Ownership Plan ("CSOP") continued

The weighted average fair value of each option granted during the year was £0.27 (2017: £0.23). The following information is relevant in the determination of the fair value of options granted during the year under the CSOP.

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

## 26. Reserves

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

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

## 27. Cash generated from operations

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| Operating profit | **9,710** | 9,705 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **5,705** | 4,655 |
| Amortisation of intangible assets | **44** | 32 |
| Profit on disposal of property, plant and equipment | **(267)** | (89) |
| Share-based payment expense | **225** | 77 |
| Operating cash flows before movement in working capital | **15,417** | 14,380 |
| Increase in inventories | **(142)** | (812) |
| Decrease in trade and other receivables | **(3,429)** | (1,950) |
| Increase in trade and other payables | **1,470** | 1,544 |
| Decrease in provisions | **(72)** | (33) |
| **Cash generated from operations** | **13,244** | 13,129 |

## 28. Analysis of cash and cash equivalents and reconciliation to net debt

| | 2017 £'000 | Cash Flows £000 | Non-cash flows £'000 | **2018 £'000** |
|---|---|---|---|---|
| Cash at bank | 12,810 | (1,978) | — | **10,832** |
| Cash in hand | 48 | — | — | **48** |
| Cash and cash equivalents | 12,858 | (1,978) | — | **10,880** |
| Bank loans secured | (1,275) | 150 | — | **(1,125)** |
| Other loans secured | (205) | 95 | — | **(110)** |
| Finance leases | (12,836) | — | (2,714) | **(15,550)** |
| **Net debt** | (1,458) | (1,733) | (2,714) | **(5,905)** |

Significant non-cash transactions include the purchase of £8,135,057 (2017: £6,202,000) of fixed assets on hire purchase.

## 29. Lease commitments

### Finance leases

Future lease payments are due as follows:

| | Minimum lease payments £'000 | Interest £'000 | Present value £'000 |
|---|---|---|---|
| **30 April 2018** | | | |
| Not later than one year | **5,858** | **525** | **5,333** |
| Between one year and five years | **11,173** | **955** | **10,218** |
| Later than five years | **—** | **—** | **—** |
| **At 30 April 2018** | **17,031** | **1,480** | **15,551** |
| Current liabilities | **5,858** | **525** | **5,333** |
| Non-current liabilities | **11,173** | **955** | **10,218** |
| 30 April 2017 | | | |
| Not later than one year | 4,795 | 581 | 4,214 |
| Between one year and five years | 9,337 | 715 | 8,622 |
| Later than five years | — | — | — |
| At 30 April 2017 | 14,132 | 1,296 | 12,836 |
| Current liabilities | 4,795 | 581 | 4,214 |
| Non-current liabilities | 9,337 | 715 | 8,622 |

### Operating leases – lessee

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

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Due within one year | **90** | 87 |
| Between one and five years | **547** | 454 |
| Later than five years | **2,058** | 2,226 |
| | **2,695** | 2,767 |

## 30. Capital commitments

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Contracted but not provided for | **1,268** | 3,294 |

## 31. Related party transactions

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

Other related party transactions are as follows:

| | | Transaction amount | | Balance owed | |
|---|---|---|---|---|---|
| Related party transaction | Type of transaction | **2018 £'000** | 2017 £'000 | **2018 £'000** | 2017 £'000 |
| Directors | Director loans | **—** | (213) | **—** | — |
| Companies in which Directors have a significant controlling interest | Rent | **—** | — | **—** | — |
| | Purchase of property | **—** | — | **—** | — |
| Dividends paid to key management personnel | | **428** | 115 | **—** | — |

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 2018 or 2017 regarding related party debtors.

# Parent company statement of financial position

As at 30 April 2018

| | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 5 | **6,276** | 6,051 |
| | | **6,276** | 6,051 |
| **Current assets** | | | |
| Trade and other receivables | 6 | **6,675** | 9,195 |
| | | **6,675** | 9,195 |
| **Total assets** | | **12,951** | 15,246 |
| **Current liabilities** | | | |
| Trade and other payables | 7 | **31** | 31 |
| | | **31** | 31 |
| **Net assets** | | **12,920** | 15,215 |
| **Equity** | | | |
| Share capital | 9 | **1,600** | 1,600 |
| Share premium | | **8,633** | 8,633 |
| Retained earnings | | **2,687** | 4,982 |
| **Total equity** | | **12,920** | 15,215 |

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 (2017: £4,549,000).

The financial statements were approved and authorised for issue by the Board of Directors on 25 July 2018 and were signed on its behalf by:

Paul Pearson
Director

The notes on pages 82 to 84 form part of these financial statements.

# Parent company statement of changes in equity
For the year ended 30 April 2018

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|
| **Balance at 1 May 2016** | 1,006 | — | 1,399 | 2,405 |
| Total comprehensive income for the year | — | — | 4,594 | 4,594 |
| Share redesignation | 63 | — | — | 63 |
| Issue of bonus shares | 331 | — | (331) | — |
| Issue of ordinary shares on IPO | 200 | 9,800 | — | 10,000 |
| Share issue costs | — | (1,167) | — | (1,167) |
| Dividend paid | — | — | (680) | (680) |
| **Balance at 30 April 2017** | 1,600 | 8,633 | 4,982 | 15,215 |
| Total comprehensive income for the year | — | — | — | — |
| Share-based payment expenses | — | — | 225 | 225 |
| Dividends paid | — | — | (2,520) | (2,520) |
| **Balance at 30 April 2018** | **1,600** | **8,633** | **2,687** | **12,920** |

The notes on pages 82 to 84 form part of these financial statements.

FINANCIAL STATEMENTS

# Notes to the parent company financial statements

For the year ended 30 April 2018

## 1. General information

These financial statements were approved and authorised for issue by the Board of Directors on 25 July 2018.

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, Kirkby Lane, Pinxton, Nottinghamshire NG16 6JA. The Company has its primary listing on AIM, part of the London Stock Exchange.

## 2. Basis of preparation

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

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

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

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

The parent company does not employ any staff.

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

## 3. Significant accounting policies

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

### Investments

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

### Dividends received

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

## 4. Critical accounting estimates and judgements

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

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

This year's revenue includes an estimate for a final account settlement that is still to be concluded but has been assessed by the Board on a prudent basis and the anticipated outcome reflected in the full year turnover.

The Directors have taken legal and independent expert advice on the potential outcome to ensure that the estimate is as accurate as possible. Consideration has been given by the Directors to contractual terms and the work performed when assessing the value of the estimate, for which the impact on revenue could be in the range of £0.2m to £0.7m.

### 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

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Cost** | | |
| **At 30 April** | **6,276** | 6,051 |

The undertakings in which the Company's 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 Ltd** | | | |
| A & G (Steavenson) Limited | Ordinary | 75% | Dormant |
| Dram Investments Limited | Ordinary | 100% | Dormant |
| Van Elle 15 Limited | Ordinary | 100% | Dormant |

The registered office of all subsidiary undertakings is Kirkby Lane, Pinxton, Nottinghamshire NG16 6JA.

## 6. Trade and other receivables

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Receivables from related parties | **—** | — |
| Receivables from Group undertakings | **6,675** | 9,195 |
| Financial assets classified as loans and receivables | **6,675** | 9,195 |
| Prepayments | **—** | — |
| Other receivables | **—** | — |
| | **6,675** | 9,195 |

## 7. Trade and other payables

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Other payables | **31** | 31 |
| Accruals | **—** | — |
| Amounts owed to Group undertakings | **—** | — |
| Financial liabilities measured at amortised cost | **31** | 31 |
| Tax and social security payments | **—** | — |
| Deferred income | **—** | — |
| | **31** | 31 |

## 8. Financial instruments and risk management

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

### Financial instruments by category

| | Loans and receivables | |
|---|---|---|
| | 2018 £'000 | 2017 £'000 |
| **Financial assets** | | |
| Trade and other receivables | **6,675** | 9,195 |
| **Total financial assets** | **6,675** | 9,195 |

# Notes to the parent company financial statements continued

For the year ended 30 April 2018

## 8. Financial instruments and risk management continued

### Financial instruments by category continued

| | Amortised cost | |
|---|---|---|
| | **2018 £'000** | 2017 £'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 21 of the consolidated financial statements.

## 9. Share capital

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **'000** | **£'000** | '000 | £'000 |
| **Authorised** | | | | |
| Ordinary shares of 2p each | **80,000** | **1,600** | 80,000 | 1,600 |
| **Total authorised share capital** | **80,000** | **1,600** | 80,000 | 1,600 |
| **Allotted, issued and fully paid** | | | | |
| Ordinary shares of 2p each | **80,000** | **1,600** | 80,000 | 1,600 |
| **Total allotted, issued and fully paid** | **80,000** | **1,600** | 80,000 | 1,600 |

The details of the movements in share capital are disclosed in note 24 of the consolidated financial statements.

## 10. Share-based payments

For detailed disclosures of share-based payments granted to employees refer to note 25 of the consolidated financial statements.

## 11. Reserves

The nature and purpose of each reserve is provided in note 26 of the consolidated financial statements.

## 12. Related parties

Related party income and expenditure comprise dividends receivable from its subsidiary undertaking, Van Elle Limited, and adjustments for group relief. No other income or expenditure is recognised in the Company accounts and any costs incidental to its operation are borne by Van Elle Limited. The remuneration of the Board, who are the key management personnel of the Company and therefore related parties of the Group, is set out in the remuneration report on page 48.

The Company does not maintain a separate bank account and instead maintains an intercompany balance with its subsidiary undertaking in respect of internal funding. The amount outstanding from Van Elle Limited at 30 April 2018 was £6,675,000 (2017: owed to Van Elle Limited £9,195,000).

# Shareholder information

## Annual General Meeting

The Annual General Meeting ("AGM") will be held on 18 September 2018 at One Wood Street, London, EC2V 7WS.

Shareholders will be asked to approve the Directors' remuneration report and the re-election of all the Directors. Shareholders will also be asked to receive and adopt the accounts of the Company for the year ended 30 April 2018, together with the reports of the Directors and of the auditor thereon, to reappoint the auditor of the Company (and authorise the Directors to approve the remuneration of the auditor) and to declare a final dividend for the year.

Other resolutions will include proposals to renew, for a further year, the Directors' general authority to allot shares in the Company, to allot a limited number of shares for cash on a non-pre-emptive basis and to buy back the Company's own shares.

## 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 Asset Services' portfolio service. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

## Enquiries on shareholdings

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

FINANCIAL STATEMENTS

# Corporate information

## Registered office and advisers

### Directors

Adrian Barden (Non-Executive Chairman)
Jon Fenton (Chief Executive Officer) (resigned 18 May 2018)
Paul Pearson (Chief Financial Officer)
Robin Williams (Senior Independent Director)
David Hurcomb (Non-Executive Director) (appointed 1 November 2017)

### Group Company Secretary

Paul Pearson (acting)

### Registered office

Kirkby Lane
Pinxton
Nottinghamshire
NG16 6JA

### Company registered number

04720018

### Nominated adviser and broker

**Peel Hunt LLP**
Moor House
120 London Wall
London
EC2Y 5ET

### Solicitors

**Eversheds Sutherland (International) LLP**
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

### Registered auditor

**BDO LLP Nottingham**
Regent House
Clinton Avenue
Nottingham
NG5 1AZ

### Registrar

**Link Asset Services**
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

### Banker

**Lloyds Bank PLC**
33 Park Row
Butt Dyke House
Nottingham
NG1 6GY

### Financial PR

**Instinctif Partners**
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