VAN ELLE
TOTAL FOUNDATION SOLUTIONS

TOTAL FOUNDATION SOLUTIONS

Van Elle Holdings plc
Annual report and accounts 2023

The UK's largest ground engineering contractor

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

OUR VISION

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

OUR MISSION

To achieve perfect delivery on our projects.

OUR VALUES

Safety

Always put health and safety first.

Integrity

Open, honest and straightforward, delivering on our promises.

Teamwork

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

Excellence

Keen to impress our customers, always do a great job and keep improving what we do.

Contents

Highlights

OPERATIONAL HIGHLIGHTS

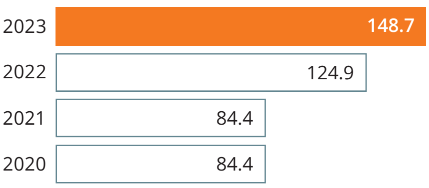
- Record revenues and improved operating margins and return on capital
- The Group's diversity of end markets and broad range of capabilities has enabled growth despite economic uncertainties and project delays in some market sectors
- Further strategic progress in enhancing the resilience of the Group with a growing presence in UK energy transmission and distribution infrastructure market, expansion of Housing sector foundation services, and diversification of Rail capability into Canada
- The Group has been successful in managing materials and wages inflation and increased customer credit risk
- Capital investment of £6.2m including spend on new rigs and the Group's HGV fleet
- Strong balance sheet with £1.3m hire purchase debt remaining at 30 April 2023, and an undrawn bank facility of up to £11m
- Improved net funds position of £7.5m (excluding IFRS 16 lease liabilities) at 30 April 2023
- Final dividend of 0.8p per share recommended taking total dividend for the year to 1.2p

FINANCIAL HIGHLIGHTS

Revenue
(£m)

£148.7m

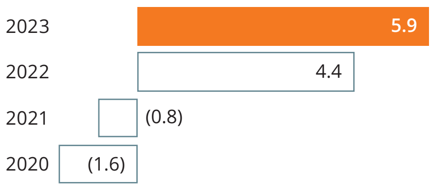
+19.1%



Operating profit
(£m)

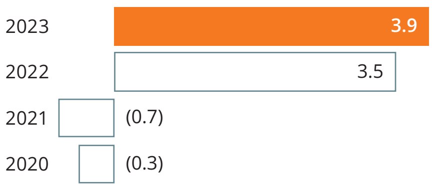
£5.9m

+34.0%



Operating profit margin
(%)

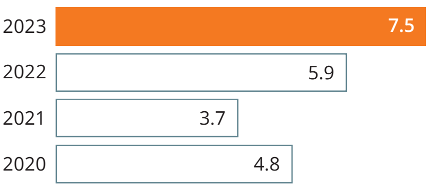
3.9%



Net funds*
(£m)

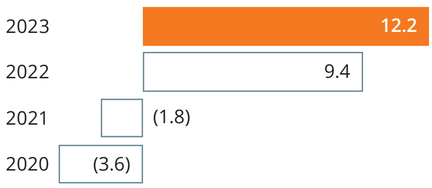
£7.5m

+27.6%



Return on capital employed
(%)

12.2%

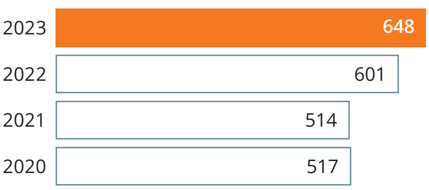


* Net funds excluding IFRS 16 property and vehicle lease liabilities.

NON-FINANCIAL HIGHLIGHTS

Headcount
(Number)

648



Apprentices and trainees
(Number)

34

Employee engagement score
(%)

73%

Van Elle's integrated capabilities

Our reputation in delivery of total foundation solutions is underpinned by our technical expertise, innovation and value-engineered solutions, which we strive to deliver safely for our customers and the communities we serve.

WE WORK ACROSS THREE KEY MARKETS

RESIDENTIAL

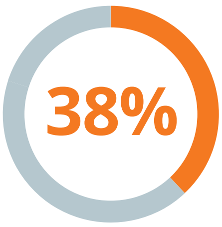
Full range of services for housebuilders including ground investigation, ground improvement and ground stabilisation alongside driven and continuous flight auger ("CFA") piles complemented by Smartfoot precast modular beam foundations.

Revenue

£56.9m

+6.7% growth in year

Revenue share



INFRASTRUCTURE

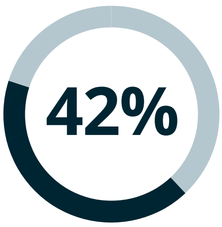
A full range of geotechnical services to the highways, rail, power and utility sectors including market-leading on-track capabilities.

Revenue

£62.6m

+44% growth in year

Revenue share



REGIONAL CONSTRUCTION

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

Revenue

£28.9m

+3.8% growth in year

Revenue share

COMPREHENSIVE SERVICE OFFERING

Our service offering is delivered by our experienced specialist divisions and includes:

- General piling
- Retaining walls and basements
- Ground stabilisation and improvement
- Modular foundation systems
- Ground investigation and testing
- Rail geotechnical and ground engineering
- Specialist piling
- Construction and geotechnical training

WE REPORT ACROSS THREE SEGMENTS

GENERAL PILING

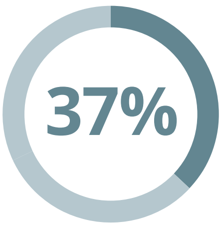
Offering a variety of ground engineering and foundation solutions on open sites.

Revenue

£54.8m

+41% growth in year

Revenue share



SPECIALIST PILING AND RAIL

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

Revenue

£46.6m

+2% growth in year

Revenue share

GROUND ENGINEERING SERVICES

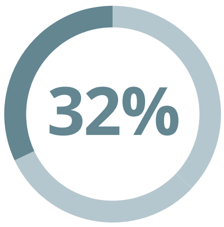
Offering a range of ground investigation expertise and modular foundation solutions.

Revenue

£47.1m

+18% growth in year

Revenue share



Six reasons to invest in Van Elle

A LEADING UK PLAYER

- The UK's largest and most diverse ground engineering contractor
- Experienced Board and senior management team
- Low-risk, diverse operating model
- Strong regional presence across the UK

DIFFERENTIATED OFFERING

- Full lifecycle capability, from ground investigation to design to construction to testing and monitoring
- An integrated, in-house approach to complex projects, with expertise across 25 specialist techniques offering customers value-engineered solutions tailored to optimal project outcomes
- Highly innovative, offering several unique capabilities
- Leading track record in off-site, modular foundation systems in both precast concrete and steel
- Significant expertise in highly regulated operating environments such as rail, power and highways
- Diverse customer base with high levels of repeat business

ATTRACTIVE MARKETS

- Delivering first-class ground engineering services across over 1,000 projects a year to a wide variety of customers and end markets
- Balanced exposure across UK infrastructure, housing and construction markets
- Buoyant market conditions post-pandemic are aligned to our capabilities
- Strong customer relationships and high levels of repeat business

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WELL INVESTED AND RESOURCED

- The UK's largest and best invested rig fleet (circa £57m invested over the last eight years)
- Over 25 specialist ground engineering techniques
- The UK's largest directly employed workforce within ground engineering, with over 600 employees
- Over 5% of employees undergoing an apprenticeship, trainee or professional development route

STRONG FINANCIAL POSITION

- Strong balance sheet, with low levels of debt and a track record of high levels of cash conversion
- Stable institutional shareholder support
- Platform for sustainable, accretive bolt-on acquisitions
- Access to £11m facility to support future growth
- Valuation underpinned by 130+ rig assets
- Progressive and well covered dividend

5

6

CLEAR STRATEGY FOR GROWTH

- Our vision: to be the leading and most trusted provider of total foundation solutions
- Our goals: developing trusted partnerships; deploying the best people and assets; and perfect delivery of our projects
- Completed phases 1 and 2 of transformation plan
- Delivering against medium-term financial targets of 5–10% annual revenue growth, 6–7% operating profit and 15–20% ROCE
- Organic growth supported by targeted bolt-on acquisitions

Our year in brief

2022

MAY

- We were awarded a major piling project for enfinium's Kelvin waste-to-energy facility in Sandwell
- We announced our participation as primary providers of piling and retaining structures in the Smart Motorways Programme Alliance Framework
- During Mental Health Awareness Week, our teams engaged in activities and shared stories and resources to address loneliness

JUNE

- Our Rail division received a Bronze award in Network Rail's "Route to Gold" scheme
- We celebrated International Women in Engineering Day by highlighting the accomplishments of women throughout our business

JULY

- We were appointed to the Piling framework for the West of Leeds section of the TransPennine Route Upgrade (TRU) programme
- The Leadership Development programme was launched, aimed at developing and retaining the next generation of leadership talent

AUGUST

- We announced our financial results for the year ending 30 April 2022, reporting record revenues of £124.9m and a strong return to profit after two years impacted by COVID-19
- ScrewFast began installation of helical piles and grillages for multiple substation structures at Sellingde for Murphy's
- We were honoured to receive the Bronze accolade from the Ministry of Defence Employer Recognition Scheme following the signing of the Armed Forces Covenant in early July

2023

JANUARY

- Major piling works at enfinium's Kelvin waste-to-energy facility were completed
- We committed to the Science Based Targets initiative (SBTi) as part of our strategy to reduce our environmental impact
- Our Strata team was honoured with a Safety Coin by AECOM for its safe work practices
- Our Strata team successfully completed ground investigation works in Thorpe Hesley, Rotherham, supporting The Coal Authority's efforts to design a mine water treatment scheme and safeguard the River Don and River Dearne

FEBRUARY

- The Specialist Piling division completed the final phase at Dawlish Station for Bam Nuttall where we have been working for almost 2 years
- Six additional Van Elle employees became certified Mental Health First Aiders, bringing our total to 32 individuals
- Our Rail division successfully completed ground engineering works on the Southeastern line, mitigating landslip risks and contributing to a £3m improvement project

SEPTEMBER

- Completion of the Group's 200th rail station upgrade project at Theale Station
- Our Ground Improvement team began the installation of over 16,000 vibro stone columns for Crown's largest beverage can manufacturing facility in Europe
- Our Rail division took delivery of the UK's first excavator-mounted telescopic auger drive attachment

OCTOBER

- Our Piling division received two consecutive "Subcontractor of the Month" acknowledgements based on our safety and quality performance from Wates Construction
- We proudly donated £17,000 to Cancer Research UK, our chosen charity of the year, thanks to fundraising efforts by Van Elle employees
- During National Inclusion Week, our employees shared personal pledges and commitments to drive inclusion beyond the campaign

NOVEMBER

- Piling works on the significant North London Heat and Power Project for Acciona commenced
- We completed essential ground engineering work to prevent landslips and enhance reliability on the Axminster to Pinhoe maintenance project
- Strata Geotechnics commenced ground investigation works for the A46 Newark Bypass, ahead of major improvement works for National Highways
- We unveiled Prostate Cancer UK as our charity of the year for 2022–2023

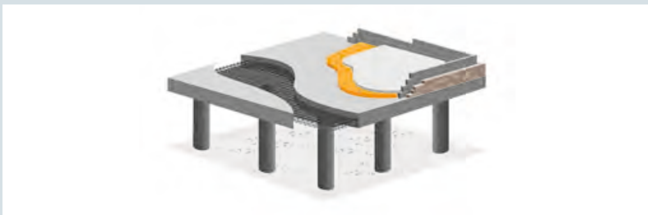
DECEMBER

- During our annual People Awards, we recognised outstanding individuals and flagship projects, with 23 recipients receiving trophies and 53 receiving special recognition out of 458 nominations
- Our Rail and Specialist Piling divisions successfully completed essential work ahead of programme on Birmingham New Street Commissioning Works, Neville Hill West Junction (Leeds TRU East), and Core Valley Lines Electrification – Treherbert
- We supported the Salvation Army's Christmas Present Appeal by delivering over 150 donated presents from our employees

MARCH

- Van Elle Canada Inc was incorporated ahead of major rail infrastructure and electrification opportunities in Ontario
- We showcased our innovative foundation solutions at NHBC's Building for Tomorrow 2023 exhibition
- Piling works at Level Road London and HS2 Mandeville Road were successfully completed

Image owned by National Highways



APRIL

- To expand our range of efficient foundation systems, we launched Smartdeck, an innovative piled raft foundation solution, which integrates piling and foundations to floor slab level. The system complements our Smartfoot precast foundation beam system, providing housebuilders with a comprehensive solution
- ScrewFast completed significant works on the M6 junction 21A to 26 smart motorway scheme for Costain
- Work on the Smart Motorway Alliance emergency refuge areas commenced

Successful strategic progress

FRANK NELSON
Non-Executive Chair

HIGHLIGHTS

- Further strategic progress with another year of record revenues and growth in all divisions
- Several significant contract and framework awards in the year
- Easing of supply chain disruption and successful management of cost inflation during the year
- Increased investment in the Groups rig and HGV fleet during the year
- Interim dividend of 0.4p per share paid in the year and final dividend of 0.8p per share recommended

The Group has made further progress against it's strategic targets, delivering another year of record revenues."

I am pleased to report that the Group has made further progress against its strategic targets, delivering another year of record revenues with growth in all divisions. A strong recovery was achieved in the prior year, and this momentum has been sustained throughout FY2023.

The Group delivered full year revenue of £148.7m, and an increase of 19% on the preceding year. Profit before tax increased by 49% over FY2022 to £5.4m. The balance sheet remains strong, with net funds (excluding IFRS 16 lease liabilities) increasing from £5.9m to £7.5m in the year. The Group also has an undrawn borrowing facility of up to £11m.

The Group was impacted by supply chain disruption during the year, through both a lack of availability of raw materials and significant input price inflation. Towards the end of the financial year, these challenges eased, with improved stability of prices and availability. Inflationary pressures, including wage increases, also impacted the Group's cost base and we continue to mitigate this as far as possible through contract pricing mechanisms. Labour shortages have remained challenging throughout the year, which has been managed successfully through focusing on employee recruitment and retention strategies.

We have made good progress on delivery of the Group's strategic plan and are developing stronger relationships with key customers, which has resulted in several significant contract and framework awards in the year. This provides increased visibility and reliability of future workload. Despite more challenging market conditions expected in the short term, the Group's core markets are attractive, and the Board remain confident in achieving the medium-term strategic targets.

Capital structure and allocation

The capital structure of the Group is reviewed regularly by the Board, taking into account the need, availability and cost of sources of funding. The Group's objective is to maximise shareholder value whilst maintaining a balance sheet structure that safeguards the Group's financial position through normal economic and sector-specific cycles and supports investment in medium-term growth strategies including expected increases in working capital.

The Group has a borrowing facility of up to £11m on a revolving basis, secured against receivables and certain tangible assets. The facility was undrawn at the end of the financial year. The arrangement matures in October 2024 and negotiations have commenced regarding extending the facility. The Group had hire purchase debt of £1.3m remaining at the year end, with £1.1m being repaid during the first quarter of FY2024.

Capital expenditure was £6.2m, an increase over the previous three years as a result of prudent cash management during the pandemic, and was focused on upgrading or replacing ageing rigs, investing in new rigs to meet growth opportunities and renewal of the Group's HGV fleet.

Developing stronger relationships with key customers, which has resulted in several significant contract and framework awards in the year."

The Board continues to review and appraise acquisition opportunities, in line with its disciplined criteria and approach. The Board will look to supplement organic growth with earnings accretive, bolt-on acquisitions of established businesses which can augment and strengthen the Group's offering.

Dividend

The Group reinstated the payment of dividends following the recovery of our core markets, and an improved financial performance in the prior year. A final dividend of 1.0p per share was paid on 7 October 2022.

With a stronger performance in FY2023, the Board is pleased to recommend the payment of a final dividend of 0.8p per share to be paid on 13 October 2023 to shareholders on the register as at the close of business on 29 September 2023. The shares will be marked ex-dividend on 28 September 2023.

An interim dividend of 0.4p (interim dividend FY2022: nil) was paid on 17 March 2023. The total dividend payable for FY2023 will therefore be 1.2p (FY2022: 1.0p).

People

I would like to thank all our employees for their hard work and commitment over the past year. The Group has delivered significant growth, with some difficult market conditions, and I am proud that our people have responded positively to these challenges.

We recognise the importance of attracting and retaining the highest-quality workforce and accordingly take steps to understand the views of all employees. Our annual employment survey allows the Group to gather feedback from all employees and to develop action plans which support and improve employee engagement.

Through our dedicated Training division, we are highly focused on developing our people. We ensure that all our workforce hold valid industry certifications and we offer training opportunities across the workforce.

The Board recognises the cost-of-living crisis that is being experienced in the UK. Employee pay has been reviewed on a more regular basis and higher salary increases have been targeted for lower paid employees.

Board and governance

There have been no changes to the Board during the current year. Van Elle remains committed to promoting the highest standards of corporate governance and ensuring effective communication with shareholders. The Group adopts and complies with the Quoted Companies Alliance Corporate Governance Code, complemented with other suitable governance measures appropriate for a company of its size.

I wish to thank my Board colleagues and the management team for their commitment over the past year as the Group has achieved significant growth and navigated some challenging market conditions.

Outlook

The Board anticipates that the current market uncertainty will continue over the coming year, particularly in the housebuilding sector. Notwithstanding these market challenges, activity levels in the first quarter of FY2024 have sustained and are broadly consistent with trading volumes throughout FY2023.

The Group's core markets have a positive outlook in the medium to long term and there are some good opportunities for growth including the high voltage power sector and geographical expansion of our rail capability. There is also a strong pipeline of opportunities across all divisions.

The Board remains confident of achieving its medium-term financial targets of 5–10% annual revenue growth, 6–7% operating profit margin and 15–20% ROCE

Frank Nelson
Non-Executive Chair
25 July 2023

Short-term construction industry decline with return to growth in 2025

Our unique spread of activity across all construction sectors provides resilience in a challenging market.

UK construction market overview

Following a period of strong recovery and growth following the COVID-19 pandemic, the UK construction sector is expected to decline in 2023 and 2024, with 2023 showing the greatest decline. Overall, construction output early in 2023 remained higher than pre-pandemic levels. There are radical variations across a range of different construction sectors, in addition it is difficult to see overall output not falling significantly this year.

Whilst supply chain issues have eased significantly, there are still many headwinds to overcome, notably high inflation impacting negatively on interest rates and continued uncertainty in the energy and food sectors as a result of the Russian invasion of Ukraine.

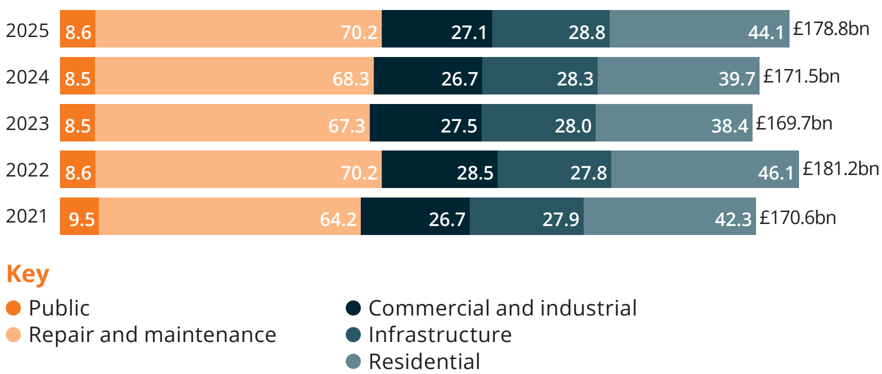
The government is delaying many large infrastructure projects and cancelling others altogether as it deals with the pressure on the country's finances following the pandemic. Government funding direction is also changing as a result of the Ukraine invasion; security of energy supply is now a main priority and expected to grow within the infrastructure sector by 4% in 2023 and 7% in 2024. Improvements to water supply and security and waste water disposal are another considerable focus.

Outlook

The spring *Construction Industry Forecasts 2023 to 2025* published by the CPA estimates a reduction in construction output in 2023 of 6.4%, with a forecast for 2024 of 1.1% increase in output. This is largely driven by the housing sector (a forecast decline of 17% in 2023), but also influenced by a fairly flat infrastructure output over the same period.

Infrastructure is seeing a very real shift in spend from renewals to maintenance and repairs across the sector in all budget announcements. Industrial output is also of concern, whilst rising by a relatively small 1.1% in 2023, this is contrasted by a forecast decline of 14.8% in 2024.

Total UK construction output



Source: Construction Products Association – Construction Industry Forecasts 2023–2025, Spring 2023 Edition.

RESIDENTIAL

Currently, the residential sector provides a business challenge, with most homebuilders announcing plans to reduce completions this year by up to 25% to 30% against previous forecasts. Interest rate rises and the associated affordability issues that customers are facing are cooling demand in the short term.

Contrasting the market challenges have been the changes to Part L Building Regulations, with a deadline of mid-June this year, these regulations set the standard for the energy performance of the building, and the changes are expected to lead to increased build costs. This has resulted in a rush for housebuilders to make a meaningful start on buildings. This saw the house foundation sector extremely busy in the first half of this year with activity levels expected to dip in the first half of FY2024.

Our response

Our balanced customer base between private and social and affordable housing, the latter of which are less impacted by macroeconomic challenges and building regulation changes, provides some protection against volatility in activity levels. Further changes to Part L regulations in 2025 are also expected to build momentum ahead of the change.

The introduction of our Smartdeck system will provide resilience in our offering whilst targeting specific geographical areas suited to the system, such as south east, an area where we have historically had a much lower market share.

Our modular Smartfoot system continues to be the dominant MMC foundation solution in the market, although this is facing strong competition from traditional footings as the demand slows and installation programmes are under less pressure.

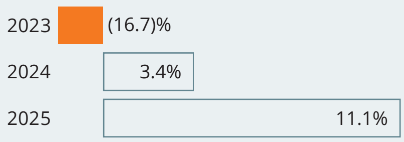
UK market 2022

+9.0%

Van Elle 2022/23

+6.7%

CPA growth forecast



INFRASTRUCTURE

Highways work has been volatile, particularly in the second half of the year due to a change in government spending strategy and political pressures around the safety of smart motorways. This has resulted in a significant reduction in scale of the SMPA framework.

National Highways investment period RIS 2 runs through to March 2025. We are currently awaiting spending budgets for RIS 3. It is clear that the RDP framework for NH has not performed as hoped, and there are currently proposals and consultations ongoing for a new framework, LDF. The LDF framework is not anticipated to be operational until 2026 at the earliest, potentially resulting in a lull in highways schemes coming online at the start of RIS 3.

In the rail sector we are currently in year 5 of control period 6 ("CP6"), and performing well due to undertaking a number of embankment stabilisation works. A reduction in workload is still expected into FY2024 until CP7 starts to gain momentum. CP7 is expected to be challenging at the outset, as enhancement works are currently being deferred or descoped due to funding issues. However, there is greater emphasis on the maintenance of existing assets, especially embankment and cuttings, which presents an opportunity for our geotechnical solutions such as soil nailing, king post walls, etc.

The TransPennine Route Upgrade ("TRU") West is an additional fast up and down line between Manchester and Leeds, and one of the largest infrastructure schemes currently being progressed on site. Totalling a currently forecasted budget of £15bn, it is the single largest rail upgrade opportunity in the UK.

Government spend on sectors where we are not traditionally strong is growing; of particular note, Water and Energy sectors. The next spending period in Water ("AMP8") is due to commence in 2025 and is budgeted in the region of £50bn. Pressure on the industry from government to both improve water quality and security of supply is significant; additionally public pressure related to water treatment and the discharge of waste water into rivers and seas will be substantial.

Given the recent events in Ukraine, energy security has become a more urgent objective. The connection of off-shore wind power to the grid to fully utilise its potential has resulted in a near £10bn roll-out of HV distribution, announced to be completed in the next seven to eight years. Within this, the 600km length of new overhead HV line is of particular interest, with towers requiring our highly specialist foundation solutions every 400m.

Our response

Whilst there have been cancellations of new smart motorways initiatives, our secured position on the SMPA framework allows us access to a large work bank of retrofit emergency areas required to serve the existing smart motorway network. This retrofit work has commenced on site, and whilst we are expecting a dip in the second half of this year, the programme gains considerable momentum at the start of 2024, towards the end of our FY2024.

Other major opportunities in the highways sector include our ECI framework appointment for the A12 to A120 widening scheme for Costain, along with various local authority and RDP schemes.

We are one of three geotechnical contractors on the TRU framework, and we are currently working across many structures in terms of ECI, with a work bank value of around £10m. We expect the majority of the workload to be delivered in 2024, end of FY2024 into FY2025. Work is across most of our divisions and disciplines, from sheet piles installed through our Rail division to bulk infill drilling and grouting, restricted access and precast piling.

UK market 2022

-0.4%

Van Elle 2022/23

+44.3%

CPA growth forecast

2023	0.7%
2024	1.1%
2025	1.8%

REGIONAL CONSTRUCTION

The long-term shift towards an e-commerce economy was accelerated by the pandemic. Logistics and distribution has been a key area of growth in 2022, and continues to provide strong growth into 2023; however, as consumer spending wanes and the economic climate remains very challenging, it is expected that warehouse new builds will drop as we move into 2024 and 2025.

The number, type and location of new office buildings have been impacted by the effects of the pandemic due to the shift in working habits, which has accelerated the move to remote working. This has enabled companies to significantly reduce the amount of office space required. Coupled with this, an enhanced focus on sustainability with a particular emphasis on carbon footprint is expected to result in an increase in renovation and upgrade as opposed to demolition and rebuild. An estimated 8% reduction in offices in 2023 is having a significant impact in this sector. This is expected, however, to return to a growth of 2% in 2024 and 4% in 2025.

Our response

Our highly specialist design and installation of rigid inclusions continues to grow in scale and has quickly established itself as one of the two market leaders in the sector. We have developed relationships with a number of repeat customers, and the scale of projects is steadily growing as the industry embraces this innovative solution. The addition of ground improvement techniques such as rigid inclusions and vibro stone columns to piled foundations means that we are able to offer the most economic solutions for our customers. We are regularly engaged in ECI agreements in order to drive innovative best-value options for the scheme.

UK market 2022

+6.7%

Van Elle 2022/23

+3.8%

CPA growth forecast

2023	(3.5)%
2024	(2.9)%
2025	1.5%

A focus on partnerships, people and perfect delivery

OUR VISION

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

HOW WE WORK

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

Expert
We provide more than 25 geotechnical, ground improvement and piling techniques across the Group

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

OUR DIFFERENTIATED OFFER

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

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

UK's largest rig fleet
We have 132 rigs in our fleet, with £57m capital investment in 2015–2023

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

OUR VALUES

Safety
Always put health and safety first

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

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

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

Link to strategy

- Improved business performance
- Foundations for growth
- Market leadership

Read more about our strategy on **pages 19 to 21**

HOW WE ADD VALUE

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

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

3. Perfect delivery
- Zero harm
- Right first time
- On time and on budget
- Continuously improving
- Satisfied customers

THE VALUE WE CREATE

Our customers
- A focus on long-term strategic relationships
- Provision of innovative, value-adding, cost-effective geotechnical solutions
- A broad range of geotechnical solutions including modern methods of construction with off-site and modular products

Recurring revenues

68%

Link to strategy

Our shareholders
- Delivering profitable growth with good cash conversion on track to achieve the Group's medium-term financial targets
- Robust balance sheet with low gearing and reinvestment in the business to support our growth strategy
- Operational flexibility leading to improving asset utilisation and return on capital employed

Total recommended dividend

1.2p

Link to strategy

Our people
- Attracting and developing excellent people to create a vibrant, diverse and flexible workforce
- 100% direct labour model and a culture where employees feel valued and empowered to make informed decisions
- Interesting and challenging careers in a diverse business that provides people with the opportunity to develop and reach their potential

Apprentices and trainees

34

Link to strategy

Read more about stakeholder engagement on **pages 37 to 39**

Market and capability diversification driving growth

MARK CUTLER
Chief Executive Officer

HIGHLIGHTS

- Record revenues and improved operating margins and return on capital following further progress in delivery of strategic plan
- The Group's diversity of end markets and broad range of capabilities has enabled growth despite economic uncertainties and project delays in some market sectors
- Further strategic progress in enhancing the resilience of the Group with a growing presence in UK energy transmission and distribution infrastructure market, expansion of Housing sector foundation services, and diversification of Rail capability into Canada
- Capital investment of £6.2m including spend on new rigs and the Group's HGV fleet
- Strong balance sheet with £1.3m hire purchase debt remaining at 30 April 2023, and an undrawn bank facility of up to £11m

Overview

The Group made excellent progress against its strategy in FY2023, delivering record revenues with strong trading momentum in all divisions throughout the majority of the financial year. Building on the strong growth achieved in the previous year, full year revenue increased to £148.7m, 19% higher than the prior year (FY2022: £124.9m). Each of the Group's three segments reported revenue growth in the year.

General Piling revenue increased by 41% on the prior year, with a strong brought forward order book and several large contracts won and delivered in the year. Revenue growth was primarily from high activity levels on major energy and logistics projects.

Specialist Piling and Rail revenue was 2% higher when compared to the prior year. The Specialist Piling division experienced softer market conditions in the second half of the year, primarily as a result of delays to highways projects, although in the medium-term opportunities for the division remain positive. The Rail division performed very well, despite some disruption caused by rail strikes in the first quarter of the financial year. The division experienced a strong workload from closer customer partnerships formed during CP6 ahead of the transition to CP7 in 2024. Large electrification projects provided a solid baseline of work throughout the year, particularly on the Midland Mainline and Core Valley Lines projects and numerous stations, slopes and embankment schemes across the UK.

Ground Engineering Services revenue increased by 32%. The housebuilding market into which the Group delivers a range of services, including its Smartfoot ground beam system, experienced high demand throughout the year. Softer market conditions are expected in FY2024, but the division delivers a range of services with a diverse customer base, which is expected to mitigate some of the wider market impacts ahead of improved conditions expected in FY2025.

The supply chain disruption which impacted the Group's results over recent reporting periods, has eased, with improved stability of input prices and more reliable availability. However, inflationary pressures adversely affected the Group's cost base, particularly through wage, utilities and fuel cost increases. These cost increases are mitigated through contract price mechanisms as far as possible; however, in some cases there is a lag in recovery. Group overheads have been unavoidably impacted by wage growth, as retention of key skills remains a priority to deliver our strategy.

Despite some challenges due to wider economic uncertainty and some softer market conditions in certain segments, the Group reported a materially improved profit before tax of £5.4m (FY2022: £3.6m), operating margins improving to 3.9% (FY2022: 3.5%), progressing towards our target range of 6–7% margins. Basic earnings per share increased by 159% to 4.4p (FY2022: 1.7p). Return on capital employed improved to 12.2%, demonstrating good progress towards achieving the Group's strategic target range of 15–20%.

The safety and wellbeing of all employees is Van Elle's first priority. Greater investment in resources and systems has been delivered in FY2023, including the launch of an upgraded Integrated Management System involving an overhaul of all operational processes to embed best practices and improved consistency. The Group's headcount increased to an average of 648 (FY2022: 601), but pleasingly the number of safety incidents reduced, with three RIDDOR reportable accidents in FY2023 compared to four in FY2022. Accordingly the Group's Accident Frequency Rate reduced to 0.19 (FY2022: 0.28).

Net funds, excluding IFRS 16 property and vehicle lease liabilities, increased to £7.5m at 30 April 2023 (30 April 2022: £5.9m). Working capital increased by £1.9m, primarily due to the impact of higher trading activity. Net capital expenditure of £5.6m (FY2022: £4.6m) primarily represents increased investment in rigs and the Group's HGV transport fleet.

The Group maintains a strong balance sheet with a healthy cash balance and significant liquidity headroom against its £11.0m funding facility. An additional £1.5m of new hire purchase finance was arranged during the year on a variable interest rate basis, with no early repayment charges. Total hire purchase finance at the end of the year was £1.3m, of which £1.1m has been repaid in Q1 FY2024. Group debt remains well within the target leverage threshold of less than 1.5 times EBITDA.

ESG

The Group launched its Sustainability Strategy in FY2021, which is aligned with the UN Sustainable Development Goals that are most applicable to our business operations.

Our strategic plan includes goals, targets and performance indicator measures and allocates business leaders to manage actions. We aim to measure our strategy against the indicators annually to monitor our performance and identify continuous improvement measures. Our long-term "Net Zero by 2050" commitment is supported in the medium term by a roadmap to 2030, which provides a clear strategic pathway to a 30% reduction in our greenhouse gas emissions from a 2020 baseline.

We have committed to developing Science Based Targets to allow us to set achievable emissions reduction targets against a representative base year to achieve Net Zero by 2050. We are actively engaging with our supply partners to understand the greenhouse gas emissions arising from the materials and services with which they provide us.

The use of fuel is the main contributor to our Scope 1 emissions, and we are looking at transitional solutions to reduce emissions whilst new technologies are developed. We expanded our company car scheme offering to include hybrid and electric vehicles and these have been taken up by several employees. At head office we have installed electric chargers for employee and visitor use.

The Group has limited its Scope 2 emissions through a new electricity purchase agreement, which is from 100% renewable sources (certified under the Renewable Energy Guarantees of Origin scheme). In addition, we are ESOS phase 2 compliant, and are in the process of achieving ISO 50001 Energy Management certification.

A key pillar of the Group's Sustainability Strategy is engagement with our supply chain and joint participation in innovation projects (as pictured below at the Sustainability Open Day). We are trialling battery-powered electric tools and are involved in the trial of low carbon cement in our precast factory operations. Our near-term roadmap to 2030 includes trials of hybrid machinery and fleet such as hydrogen/diesel, where technology is available.

Record revenues with strong trading momentum in all divisions throughout the majority of the year."

Chief Executive Officer's review continued

Strategy

The business has continued to make solid progress against its strategy, with a clear focus on Phase 3 of the plan, launched in 2019, to deliver market-leading performance. The medium-term financial KPIs (annual revenue growth of 5–10%, underlying operating margins of 6–7%, ROCE of 15–20% and leverage of less than 1.5 times EBITDA) first announced in 2020 remain the Group's objectives. The results for FY2023 are positive steps towards delivery of those targets.

Strategic highlights in the year include:

- A stronger focus on major project and framework opportunities, now led by a dedicated director. The Smart Motorways Programme Alliance and the TransPennine Route Upgrade programme are two of the major frameworks that present growth opportunities for the Group in FY2024 and beyond, both progressing through design phases during FY2023
- Launch of our Canadian rail subsidiary and commencement of operations in Canada, with initial framework contracts expected to be awarded in H1 FY2024
- An increased focus on the UK energy market, with excellent progress made in FY2023 on delivery of high voltage infrastructure projects with our preferred customers. The award of a major new framework is expected in H1 FY2024 and others are at preferred bidder stage. Several customer partnerships are being developed ahead of strong growth in investment driven by the UK Government's and the regulator's energy security strategy
- The launch of the Group's Smartdeck housing foundation solution providing an alternative to Smartfoot where appropriate. Initial projects are expected to be awarded in Q2 FY2024
- Further expansion of the Group's ground improvement capability, reaching £10m turnover in these specialised techniques in FY2023
- Increased rig fleet investment following a restricted level of capital expenditure during the pandemic. This is to support a long-term replacement and renewal strategy and enable expansion in key strategic growth areas such as rail, ground improvement and sheet piling
- The launch of the Van Elle leadership development programme in FY2023, aimed at developing and retaining the next generation of leadership talent. An initial cohort of 14 managers will be followed by a second group in FY2024
- Expansion and refurbishment of the Group's premises at Kirkby in Ashfield and nearby Pinxton to provide additional capacity and expanded in-house training services to meet the needs of growth in the Group's headcount.

Markets

The Group operates in three market segments:

- **Residential** constituted 38% of Group revenues in the year (down from 43% in FY2022). Divisional teams deliver integrated piling and foundation systems for national and regional housebuilders, retirement homes and multi-storey residential properties

  Following the severe impact on the segment during the pandemic there was a strong recovery in workloads, which resulted in significant revenue growth in FY2022. This high level of demand was sustained throughout the majority of FY2023, with 7% revenue growth, building on the strong prior year sector performance.

  To expand its range of foundation systems, the Group launched Smartdeck, an innovative piled raft foundation solution that integrates piling and foundations to floor slab level. The system complements the Company's Smartfoot precast foundation beam system. Discussions are ongoing with key customers, and the Company expects to deploy Smartdeck on projects commencing in Q2 FY2024.

  Industry forecasts predict weaker market conditions in the segment throughout FY2024. The Group has experienced some slowdown in new-build housing starts during the second half of the financial year, although general activity levels have remained strong as housebuilders have been active in advance of the new Part L Building Regulation changes, which were effective from June 2023. The Group is closely involved with several national housebuilders to help develop efficient foundation solutions ahead of further Building Regulations changes planned for 2025.

  The impact of increasing interest rates is likely to slow new-build starts further, and this is being reflected in recent housebuilder forecasts. A reduction in sector activity levels during FY2024 is therefore expected and the divisional cost base will be reduced to mitigate the financial impact as far as possible.

  The Group operates across a diverse range of customers, tenures and geographies in the housebuilding sector, and this is expected to provide some protection against reduced volumes experienced by private housebuilders.

  The recent challenges faced by certain modular housebuilders will not have a significant impact on Group performance. Offsite/modular housing is still at early stage lifecycle development, and although several projects have been delivered, revenues on such projects have, to date, not been material and due to its credit control processes the Group had no financial exposure.

Van Elle Canada Inc was incorporated in March 2023 ahead of major rail infrastructure and electrification opportunities in Ontario."

Notwithstanding the short-term challenges in the housebuilding sector, medium and longer-term opportunities remain compelling as the government drives its agenda to deliver 300,000 net additional dwellings per annum.

- **Infrastructure** constituted 42% of Group revenues in the year (up from 35% in FY2022). The segment includes specialist ground engineering services to the rail, highways, coastal and flooding, energy and utility sectors.

  Infrastructure saw the largest absolute, and relative, growth in the year of 44% over FY2022, despite experiencing major delays or cancellations to certain major projects in the highways sector, which it previously expected to deliver or commence delivery during the year. Work continued to be delivered under both local authority and National Highways frameworks, but the government's pause, and subsequent cancellation, of all new smart motorways impacted the pipeline of work in this programme.

  Design work for the ten-year National Highways Smart Motorway Programme Alliance has continued for important additional safety measures on the existing network, including new emergency refuge areas, being planned for delivery in H2 FY2024 onwards.

  Activity levels increased in the Rail sector, with ongoing electrification programmes in South Wales and the East Midlands and strong revenues as CP6 entered the final year before CP7 commences in 2024. The Group also delivered several high profile and complex schemes at stations and to stabilise slopes, embankments and cuttings including the Dawlish seafront (pictured on page 24) where we have been working for almost two years. The Group has been appointed as a framework partner to the TransPennine Route Upgrade (TRU) programme, with the first revenues expected to be delivered in H2 FY2024.

  In order to widen the opportunities available for our specialist rail engineering capabilities and provide some protection against the cyclical nature of UK rail investment, a Canadian subsidiary has been established, based in Toronto. The first framework delivery contracts are expected to commence in Q2 FY2024.

  Although participation in Phase 1 (London to Birmingham) to date has been modest, HS2 continues to offer medium-term opportunities to parts of the Group, primarily on Phase 2 north of Birmingham, where customer partnerships are being established at an early stage.

  There is, a rapidly growing pipeline of opportunities in the energy sector reflecting the increased investment in distribution and transmission infrastructure for which the Group is well-placed due to its range of capabilities, and in particular the ScrewFast solution. During FY2023, several substation, switch room and power line schemes were delivered. Further major transmission line schemes and frameworks are in negotiation.

- **Regional Construction** constituted 20% of Group revenues (down from 22% in FY2022). The Group delivers a full range of piling and ground improvement services to the commercial and industrial sectors, from private and public sector building and developer-led markets across the UK.

  Revenue has remained robust in the regional construction segment, increasing by 4% in FY2023, supported by industrial and logistics warehouse projects for private customers across the UK, and larger commercial projects in central London, delivered substantially by the General Piling division. Growth of our ground improvement capabilities (vibro and rigid inclusion techniques) has assisted in accessing a wider range of attractive projects in the industrial sector.

  The regional construction market remained strong in the year, but has continued to be relatively competitive and, as a result, price sensitive.

Chief Executive Officer's review continued

Operating structure

Van Elle's operational Group structure has remained consistent and is reported in three segments:

- **General Piling:** open site; larger projects; key techniques being large diameter rotary, CFA piling, precast driven piling, rigid inclusions and vibro stone columns
- **Specialist Piling and Rail:** restricted access and low headroom piling; extensive rail-mounted capability; helical piling and steel modular foundations (ScrewFast); sheet piling, soil nails and anchors, mini-piling and ground stabilisation projects
- **Ground Engineering Services:** driven and CFA piling for housebuilders, precast concrete modular foundations (Smartfoot and Smartdeck); ground investigation and geotechnical services (Strata Geotechnics)

Rig fleet

Capital expenditure increased to £6.2m in the year (FY2022: £4.9m), but was lower than expected due to long lead times on certain capital purchases, which will not be delivered until FY2024. With positive cash generation, investment was increased to both sustain the existing rig fleet as well as invest for growth in key strategic growth areas.

The Group invested £2.8m of capital spend in the Rail division, which included the continued rolling programme of mid-life overhauls of the rig fleet, where major parts of the rigs are replaced and are expected to extend the rig life for at least another seven years. In addition, two new RRV rigs were acquired (along with ancillary attachments) to continue to expand the division's capacity and capabilities.

The HGV fleet has commenced a full renewal after relatively low investment during the pandemic. This refresh of the fleet will be completed in FY2024.

The total rig fleet size at the year end was 132, up from 122 last year.

Summary and outlook

Activity levels in the first quarter of FY2024 have continued to be strong with a healthy pipeline of opportunities across all divisions.

All of the Group's core markets show a positive outlook in the medium to long term, despite some short-term challenges in certain sectors. Higher interest rates, high inflation and the cost-of-living crisis are contributing to greater market uncertainty, particularly in the housebuilding sector, which is expected to deliver lower volumes during FY2024. Several projects in the infrastructure sector have also been cancelled or delayed. However, our other core markets are showing resilience, and we continue to focus on growth sectors, including an increasing presence in the high-voltage power sector and expanding our rail capabilities geographically.

The Group is also benefitting from improved future work visibility, primarily due to being appointed to several framework agreements, which are expected to deliver consistent future workloads.

Inflationary pressures on the Group's cost base have continued and are likely to persist in the short term; however, the Group continues to largely offset cost increases through contract pricing mechanisms.

Despite a more challenging macroeconomic environment currently impacting some of our divisions, the diversity of our range of activities and operating segments, a focus on growth sectors and continued delivery of the strategy results in a positive outlook in line with the medium-term targets previously announced.

Mark Cutler
Chief Executive Officer
25 July 2023

Delivering strategic actions

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

In FY2019 the business launched its three-phase strategy of improving business performance, developing foundations for growth and establishing a market leadership position. The business has continued to make solid progress against the Group's strategy, with a clear focus on phase 3 of the plan. Success on delivery of the strategic actions means the business is on track to deliver the medium-term financial targets of revenue growth of 5–10% per annum, underlying operating margins of 6–7%, and return on capital employed of 15–20%.

IMPROVED BUSINESS PERFORMANCE

Strategic priorities

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

Progress to date

- Launch of the Van Elle leadership development programme, aimed at developing and retaining the next generation of leadership talent
- Co-location completed, leadership team finalised and employee engagement improving
- Operational performance and rig utilisation improving
- Strengthened commercial activities and improved governance and risk management with key appointments
- Cost reduction and cash preservation actions embedded
- Strengthening of the health and safety team with experienced safety professionals aligned to each division
- Full review of employee remuneration and benefits, with improvement to terms targeted at employee engagement and retention

Links to KPIs

1 2 3 4 6 8

Read more about our KPIs on **pages 44 and 45**

Links to risks

4 5 6 7 8 9

Read more about our risks on **pages 40 to 43**

Growth in ground improvement techniques

We achieved an ongoing expansion in constructing industrial and logistics warehouses throughout the UK, successfully completing multiple projects this year. Our growth has been augmented by the development of ground improvement services, including vibro stone columns and rigid inclusions, which are often specified alongside driven and continuous flight auger ("CFA") piling for larger warehouse schemes.

Examples include the installation of over 16,000 vibro stone columns at a 625,000 sq. ft project located in Peterborough, which supported Crown's largest manufacturing facility for beverage cans in Europe.

We also supported the 544,000 sq. ft Farington Park industrial project in Leyland. During the 14-week programme, foundations to support the new storage, industrial and distribution complex included the installation of 10,957 320mm diameter rigid inclusions to depths ranging from 5m to 14m.

The rigs used on these projects were low emission, part of our commitment to limiting our environmental impact.

FOUNDATIONS FOR GROWTH

Strategic priorities

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

Progress to date

- Launch of the Smartdeck housing foundation solution providing an alternative to Smartfoot
- Refurbishment of the owned and previously sub-let Pinxton premises to provide additional depot capacity
- Refocused business development team and improved brand awareness
- ScrewFast complementary acquisition focused on specialist higher margin offering now fully integrated into the Specialist Piling division with aligned management and operational teams
- National roll-out and continuous innovation of the Smartfoot product offering
- R&D expenditure circa 10% of cost base
- Diversification of capabilities including rail ground investigation, rigid inclusions, vibro stone columns and ancillary civils in rail
- Strong balance sheet with low gearing and asset-based lending facility of up to £11m to support growth
- Significant rig fleet investment to support expansion in key strategic growth areas such as rail, ground improvement and sheet piling
- Expanded suite of in-house training services and facilities at the Kirkby training centre to meet the needs of the growth in the Group's headcount

Links to KPIs

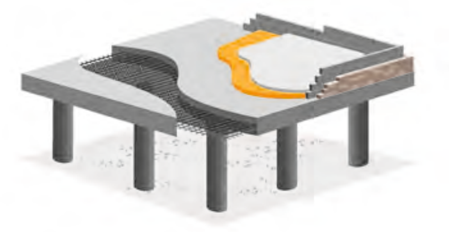
1 2 3 6 7 8

Read more about our KPIs on **pages 44 and 45**

Links to risks

1 2 3 6 9 10 11

Read more about our risks on **pages 40 to 43**



Launch of Smartdeck foundation system

In April 2023, we announced the launch of Smartdeck, expanding our range of efficient foundation systems. The innovative piled raft foundation system integrates a range of piling techniques delivering a finished foundation to the structural slab level. The system complements our Smartfoot precast foundation beam system and can be used alongside it on the same project to deliver the most cost-effective solution for our clients. Our Smartdeck product has been well received by the market and we expect to be commencing our first projects in H1 FY2024.

MARKET LEADERSHIP

Strategic priorities

- Become a trusted partner for key customers; increasingly involved in longer-term collaborative projects
- Deploying the best people and assets
- Delivering operational excellence on over 1,000 projects a year
- Continuous innovation to improve our performance and broaden our integrated capabilities
- Reduce our environmental and carbon impact to Net Zero by 2050
- Delivery of our medium-term financial KPIs

Progress to date

- Appointment of Pre-construction Director with a dedicated focus on repeat working and early involvement with key customers on longer term project opportunities
- Appointment to the ten-year Smart Motorways Programme Alliance
- Appointment to the piling frameworks for electrification of the Core Valley Lines and the TransPennine Route Upgrade
- Further diversification of capabilities in ground improvement, rail and specialist piling strengthens our end-to-end offering
- Investment in the next generation, UK designed-and-built road-rail piling rigs
- ScrewFast acquisition broadens our product offering in off-site, modern methods of foundation solutions
- Launch of our Canadian rail subsidiary and commencement of operations in Canada
- An increased focus on the UK energy market with delivery of high voltage infrastructure projects

Links to KPIs

1 2 3 4 5 6 7 8

Read more about our KPIs on **pages 44 and 45**

Links to risks

1 2 3 6 8 11

Read more about our risks on **pages 40 to 43**

VAN ELLE CANADA

Incorporation of Van Elle Canada Inc

In March 2023, we announced the incorporation of Van Elle Canada Inc in Ontario, Canada. This strategic move positions us within the Canadian market ahead of major rail infrastructure and electrification opportunities in Ontario. These are due to commence during FY2024, and represent a significant long-term infrastructure spend. This will support growth and increased resilience against UK rail investment uncertainty, leveraging our market-leading capabilities in foundations for electrification, earthworks resilience, structures and track bed stabilisation.

Risks

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

KPIs

1. Revenue
2. Operating profit
3. Operating margin
4. Operating cash conversion
5. Earnings per share ("EPS")
6. Net funds
7. Return on capital employed
8. Leverage

General Piling

What we do

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

Year in review

Revenue increased by 41% in the year to £54.8m (FY2022: £39.0m), representing 37% of Group revenues.

The General Piling division operates across each of the Group's three market segments. Market conditions remained competitive throughout the year, with price-sensitive tendering continuing to be a key factor in winning work. However, the division made further progress in developing strong customer relationships and delivered high-quality contract works utilising its broad and significant technical capabilities.

Performance in the residential and regional construction segments was robust, assisted by the completion of several major projects across the UK, using the Group's rotary, CFA, precast driven sheet piling and rigid inclusion capabilities. Strong revenue growth was also delivered in the infrastructure segment, with activity on two major energy contracts (total value of approximately £26m) in the year. The first of these contracts was completed in January 2023, and the second contract is now expected to complete in Q2 FY2024.

Inflationary pressures have remained challenging for the division (particularly fuel, raw materials and wages), but the increased activity levels resulted in significantly improved profitability in FY2023.

Underlying operating profit for the division was £3.4m (FY2022: £1.8m).

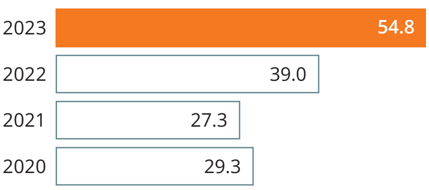
KEY PROJECTS IN FY2023

- Enfinium's Kelvin waste-to-energy facility in Sandwell for Acciona, supported by 2,124 piles across 19 structures using CFA and rotary bored techniques
- The Skanska, Costain and STRABAG (SCS) joint venture saw the installation of piles using the rotary bored technique at Mandeville Road Ventilation Shaft and Headhouse
- CFA piling for Wates' industrial development in the North East, with 2,422 bearing piles up to 14 meters in length

Revenue
(£m)

£54.8m

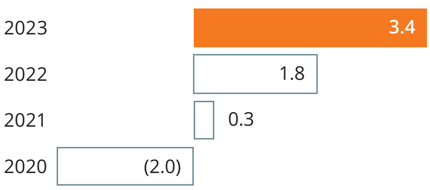
+41%



Operating profit
(£m)

£3.4m

+89%



Projects

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Specialist Piling and Rail

What we do

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

Specialist Piling provides a range of piling and other geotechnical solutions in operationally constrained environments such as inside existing buildings, under bridges and in tunnels and basements, as well as off-track rail environments. Additionally, we offer nails and anchors, drilling and grouting techniques and sheet piling for ground stabilisation projects required for large civil engineering and new-build residential schemes. The division also provides helical pile and steel and modular foundation solutions under the ScrewFast brand.

The Rail division specialises in on-track geotechnical operations across the UK's rail network.

Year in review

Revenue increased by 2% in the year to £46.6m (FY2022: £45.8m), representing 31% of Group revenues.

Specialist Piling experienced very high levels of demand in the first half of the financial year as a result of the division expanding its operational capability by investing in new rigs for growth and increasing the number of site gangs. Key contracts included the Group's 200th rail station project, the start of the M6 Smart Motorway scheme, several high-voltage substations and several major ground stabilisation contracts for housebuilders.

Softer market conditions were experienced in the second half of the year, primarily because of delays to major infrastructure work on highways and a short-term decrease in demand for drill and grout activity. The medium-term outlook for the division's work in the infrastructure sector remains very positive, with work on existing Smart Motorways safety measures, including new emergency refuge areas, expected to commence during FY2024.

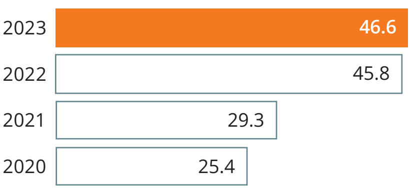
KEY PROJECTS IN FY2023

- Successful completion of several high-profile and complex schemes at stations, stabilising slopes, embankments, and cuttings including Dawlish Station for Bam Nuttall following nearly two years of work
- Completion of the Group's 200th rail station upgrade project at Theale Station
- Installation of bored piles for a retaining wall at Balcombe Emergency Slope Stabilisation scheme for Bam Nuttall
- Involvement in the Integrated Rail Plan projects, Midland Mainline and TransPennine Route Upgrade (TRU)

Revenue
(£m)

£46.6m

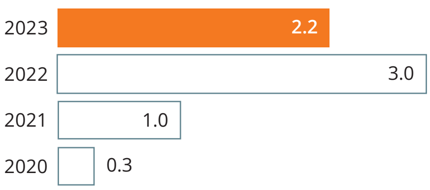
+2%



Operating profit
(£m)

£2.2m

-27%



Projects

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Specialist Piling and Rail continued

Year in review continued

The Specialist Piling division is also developing a growing presence in the high-voltage power sector, primarily due to the attractive capabilities of the ScrewFast solution. There is a strong pipeline of prospects in the sector and the division has already completed several contracts on substation and other infrastructure projects across the National Grid and regional distribution networks.

The Rail division performed strongly throughout the year, despite some early challenges due to the impact of rail strikes in the first quarter. In FY2023 we delivered our 200th rail station upgrade project and delivered several high profile slope and embankment stabilisation schemes. Piling works continued for the decarbonisation and electrification of the Core Valley Lines rail network in South Wales and ongoing works on the Midland Mainline. The division has a strong reputation and has embedded relationships with several key customers.

Activity levels were positively impacted as CP6 entered the final year before CP7 commences in 2024. We were appointed to the piling framework for the TRU programme between Manchester and Leeds, and work is expected to commence in FY2024, involving both the Specialist Piling and Rail divisions for up to three years.

Rail activities are impacted by the cyclical nature of the rail activity programme. A Canadian subsidiary has been established, where there are numerous opportunities to offer the specialist skills of our UK rail team.

A rolling programme of upgrade work on our road/rail ("RRV") piling rigs has continued and will be largely concluded by the end of FY2024.

Underlying operating profit for the division decreased to £2.2m (FY2022: £3.0m). The result was primarily impacted by short-term reduced activity volumes in Highways and some challenging contracts in the Specialist Piling division, which have been closed out in the financial year. Both Rail and Specialist Piling divisions were also impacted by inflationary factors across their cost base.

Ground Engineering Services

What we do

Ground Engineering Services comprises the Strata Geotechnics and Housing divisions.

Strata has expertise in drilling, sampling, analysing and reporting ground information to support follow-on design and construction activities.

The Housing division undertakes driven and CFA piling and precast modular foundations (Smartfoot and Smartdeck) for housebuilders.

Year in review

Revenue increased by 18% in the year to £47.1m (FY2022: £40.0m), representing 32% of Group revenues.

Activity levels in the Housing division were high throughout the year, with further revenue growth building on an already strong prior year performance. Normal production capacity was consistently exceeded, with precast production being partially outsourced to meet the demand of site works. Geographical expansion was a focus during the year, with new contracts being won and delivered in the South of England. The division has been heavily focused on maximising operational efficiency, which has delivered further improvements to reported contract margins.

Housing revenues have continued to be strong as housebuilders have been active in advance of the new Part L Building Regulation changes, which were effective from June 2023. However, softer market conditions as a result of interest rate rises and build cost inflation are expected later in the year, as reflected in industry forecasts.

Strata Geotechnics also reported increased revenue in the year. Further progress in infrastructure work has increased activity levels, particularly in the highways sector (including under the Highways England ground investigation framework) and on rail ground investigation projects.

Underlying operating profit for the division increased to £3.6m (FY2022: £2.1m).

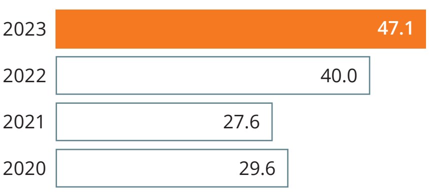
KEY PROJECTS IN FY2023

- Ground investigations at Thorpe Hesley for a mine water treatment scheme for the Coal Authority
- Ground investigations on the A46 Newark Bypass using various techniques for National Highways
- The Housing division installed 960 driven piles, a mixture of steel tube and precast concrete sections and over 3200m of Smartfoot beam in Kingswinford for Keepmoat
- Installed foundations for a storage complex at Farington Park with 10,957 diameter rigid inclusions to depths ranging from 5m to 14m

Revenue
(£m)

£47.1m

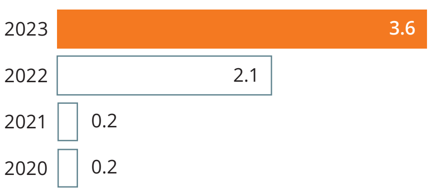
+18%



Operating profit
(£m)

£3.6m

+71%



Projects

429

Embedding our sustainability strategy

MARK CUTLER
Chief Executive Officer

We are committed to acting in a safe, sustainable and responsible manner and recognise this is key to the success and growth of the business. In FY2021, we launched our sustainability strategy. This work is beginning to yield benefits in terms of employee engagement, delivery of social value projects and reduced carbon design and delivery innovations.

POLICIES

The Board recognises its responsibility for establishing responsible and sustainable business practices, ensuring the safeguarding of both the environment and stakeholders. We have several established policies in place that underpin our operations to support our sustainable and responsible approach. These include anti-bribery and corruption, health and safety, environmental protection, sustainable development, quality assurance, anti-fraud and tax evasion, equality, diversity and inclusion, training and development, whistleblowing, and modern slavery. Regular training on key policies is conducted by all employees to support compliance with high standards of business conduct.

HEALTH, SAFETY AND WELLBEING

The health, safety and wellbeing of our staff is of paramount importance, and every precaution is taken to protect them, fellow contractors and visitors on site. Our Head of Health and Safety is driving an operations-led safety culture within the business and improved safety reporting, which is having a positive effect on the health and safety of our employees with all KPIs improving during the year.

Our dedicated health, safety, quality and environment team continues to undertake regular internal audits of our procedures, operations, tasks and activities 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 an active member of the Federation of Piling Specialists ("FPS") and the British Drilling Association ("BDA").

We aim to identify risks through proactive hazard identification and reporting along with timely planning, careful risk assessment and method statements. We measure and monitor a balance of reactive and proactive KPIs. All health and safety incidents are recorded and reviewed at a senior level, and extensive safety alerts toolbox talks, training and employee briefings are held to refocus the business and continually address, reflect on lessons learnt and improve performance, understanding and behaviours.

We are an accredited CITB training provider, delivering health and safety awareness, site supervisor safety training and site management safety training courses to our employees and our contractors as and when required.

We are proud members of the Armed Forces Employee Recognition Scheme and are committed to the Armed Forces Covenant.

As an employer, we recognise the importance of mental health awareness and providing easy access to support when it is needed. We have employees who deliver mental health awareness courses and have trained mental health first aid staff in the offices and on site. We have set an objective to achieve a trained mental health first aid staff to employee ratio, in accordance with Mental Health First Aid England guidelines. In March 2023, we appointed an Occupational Health and Wellbeing Manager to continue our focus on providing and promoting the help available for our employees and partners on critical issues such as mental health.

We also operate an Employee Assistance Programme, through which employees and their immediate families can access confidential support services 24 hours a day, seven days a week.

CASE STUDY

INTRODUCTION OF ELECTRIC VEHICLE CHARGING POINTS

To help support our goal to be a Net Zero business by 2050, we are pleased to see charging bays for electric vehicles (“EV”) introduced at our Kirkby office.

Four 22Kw charging points have been installed, with each charge point being a double socket unit serving two parking spaces, and enabling up to eight vehicles to be charged at the same time.

The charging points will be powered in full by renewable energy. This follows our switch to 100% renewable energy, meaning our electricity will now come from renewable sources such as wind, solar, hydro, biomass and geothermal.

HEALTH AND SAFETY KPIs

Category	FY2021	FY2022	**FY2023**
Headcount	514	601	**648**
Hazard identification reports	1,718	1,812	**1,948**
Environmental incidents	1	—	**2**
Minor injuries	29	37	**27**
<7-day lost time injuries	5	4	**5**
>7-day lost time injuries (RIDDOR reportable)	4	2	**2**
Specified injury (RIDDOR reportable)	2	2	**1**
Dangerous occurrence	1	—	**—**
Fatal	1	—	**—**
RIDDOR accident frequency rate (“AFR”)/100,000 hours	0.32	0.28	**0.19**

OUR SAFETY GOLDEN RULES

Always

1. Make sure you are fit for work.
2. STOP if anything changes.
3. Ensure exclusion zones are in place around all plant machinery.
4. Have a daily briefing and diligently follow the method statement, lifting plan or permit.

Never

1. Use plant or equipment that is unfit for purpose.
2. Stand in a position of potential danger.
3. Walk by and ignore a hazard or unsafe act.
4. Undertake a task for which you are not trained or competent.

PEOPLE

Engagement

Attracting and retaining an expert workforce remains vital to us. The results of the annual employee engagement survey conducted during the year resulted in a positive 73% engagement result. Employees are provided opportunities to work on key projects and work in different functions, divisions and geographies, as we believe talented and engaged employees committed to upholding our values enable us to deliver. Knowledgeable and engaged employees ensure we win, and expertly deliver some of the most exciting projects whilst continuing to build a great place to work.

Voluntary attrition in FY2023 averaged 18%, similar to FY2022, but was more acute in H1 as the recruitment of skilled resources to join High Speed 2 continued. During the year additional measures were taken to improve the retention of our personnel and the effects of this were seen during H2 with much reduced attrition levels of below 10% on a rolling basis.

Our dedicated training and assessment team ensures all our workforce hold valid industry certifications, as well as the ability to ensure we develop our staff to our high standards. This way we will ensure that we continue to maintain our high standard of training and provide flexibility in succession planning. We have successfully increased our internal training by 44% in FY2023 with total training days increasing from 2,040 in FY2022 to 2,941 in FY2023.

Building a skilled, diverse and inclusive workforce

Talent is a key focus for us as our people are at the heart of everything we do and achieve. Having the right people with the right skills, at the right time is a priority. During FY2023 we launched our Leadership Development Programme, with a focus on ensuring that we have the right capabilities for the future and a strong, diverse succession pipeline across leadership positions.

In FY2023, we continued with our ongoing commitment to creating lifelong careers with our membership of The 5% Club, an employer-led organisation committed to "earn and learn" opportunities for employees, being renewed. In April 2023, 3% of our workforce comprised apprentices, graduates and sponsored students in /"earn and learn" positions, with an additional intake planned for September 2023.

We are committed to ensuring that we have a supportive, diverse and inclusive culture and working environment where all colleagues feel they belong, with diverse representation across all levels. Our Equality, Diversity and Inclusion ("EDI") working group continues its good work by translating the vision and strategic action plan into delivery by overseeing delivery and reporting on progress. We are deeply committed to, and are pleased to see, progress being made. We have continued to embed training and develop skills, ensuring that leading teams are free from harassment and discrimination by working in respectful ways through our Code of Conduct, our people policies and various training modules.

PEOPLE KPIs

	FY2021	FY2022	FY2023
Average number of employees	514	601	**648**
Voluntary attrition rate	3%	18%	**18%**
Total training days delivered	1,398	2,862	**4,014**
Training days delivered for Van Elle employees	1,006	2,040	**2,941**
Training days delivered to third party customers	392	822	**1,073**
Number of apprentices and trainees	30	36	**21**
Employee engagement survey response	52%	45%	**49%**
Employee engagement score	73%	75%	**73%**

CASE STUDY
DRIVING CHANGE IN OUR INDUSTRY

Our Training Administrator Keeley Hutchinson recently completed her NPORS Plant Mover Training and was the first woman to drive our JCB Loading Shovel for the NPORS Plant Machinery Marshall testing.

This means she is now able to support the training centre in putting more people through their courses and testing.

We are committed to attracting, inspiring, supporting and developing women in our industry.

We are proud to play our part in cutting through conceptions of gender bias, promoting diversity and empowering women to believe there are no barriers to achieving their ambitions and goals.

CASE STUDY
INSPIRING THE NEXT GENERATION OF WOMEN AND GIRLS IN GEOLOGY

Shannon Wade joined the Strata division as an Assistant Geotechnical Engineer after gaining her degree in Applied Geology from the University of Plymouth.

She is now working towards her MSc in Civil Engineering alongside her work, in the hope of gaining a greater understanding of how geotechnical engineering is applied.

Since joining Strata, her role as Assistant Geotechnical Engineer has been really varied, providing her with challenges both inside and outside the office. In addition to supervising rigs and ground investigations, Shannon also performs post-works monitoring and then spends her time in the office processing and analysing the data.

Shannon has played an excellent role in advocating and raising awareness of the often-underappreciated role women and girls play in STEM, and is regularly supporting campaigns to inspire others to pursue careers in geotechnical engineering.

SUPPORTING LOCAL COMMUNITIES

We acknowledge the significance and benefits of engaging with the local communities in which we operate, recognising its importance, but also for creating social value and leaving a positive impact on the surrounding areas.

We possess a wealth of expertise and experience, which we regularly utilise to provide a long-lasting, positive legacy to our communities. We actively support our employees and external organisations in enhancing their understanding of modern and innovative ground engineering solutions through our Continuing Professional Development ("CPD") programme.

We also collaborate with universities, colleges and schools to generate awareness, foster interest and inspire enthusiasm for the construction, manufacturing and engineering industries.

Each year, we support our chosen "charity of the year". This year, we selected Prostate Cancer UK, an organisation dedicated to prostate cancer research, awareness and support.

In addition to salary sacrifices throughout the year, we encouraged our employees to participate in individual and company-wide fundraising campaigns, and we supported various initiatives throughout the year. In total, we raised over £10,000 for the charity.

In addition to cash donations, we actively encourage employees to volunteer their time and engage in various activities such as litter picking, food bank donations and participating in community liaison events, all aimed at supporting the local community.

CASE STUDY
OUR COMMITMENT TO THE LOCAL COMMUNITY DURING THE COST-OF-LIVING CRISIS

Our donations are a crucial part of our commitment to serve and support the communities in which we operate.

During the winter period, we collected and delivered over 100 essential food items to support Mansfield Soup Kitchen, which is a small group of volunteers that feed the town's homeless community. We also donated ten boxes of cups to help support the services they provide.

CASE STUDY
LITTER PICK

Following on from our support with the BIG Ashfield Spring Clean campaign last year, which is a commitment to make Ashfield a cleaner and more pleasant place to live, work and visit, team members from divisions and departments across the Company joined forces to clean up litter in the vicinity of our Kirkby-in-Ashfield headquarters.

The team successfully collected and disposed of multiple bags of rubbish, contributing to the ongoing efforts towards a cleaner and greener Ashfield.

This was a wonderful opportunity to continue our CSR work, demonstrating our commitment to our local community.

SUSTAINABILITY STRATEGY

We recognise that our core operations rely on energy-intensive materials such as cement and steel. These industries are moving fast and making great progress in developing cleaner technology for their manufacturing and operational processes. It is our goal to be at the forefront of these developments. To aid us in this goal we have implemented a sustainability strategy aligned with the UN Sustainable Development Goals ("SDGs") that are applicable to the business operations.

We are aware that our manufacturing and on-site operations have an impact on the generation of greenhouse gas emissions, mainly due to the use of fossil fuels and highly intensive carbon materials. We understand we must act now to start reducing our GHG emissions, which will also bring opportunities for innovation and efficiency across the Group, hence we have shown commitment to Net Zero in order to build a strategic plan to decarbonise our operations.

This strategic plan includes goals, targets, and performance indicators. We aim to measure our strategy against the indicators yearly so we can monitor our performance and identify improvement measures. Our long-term Net Zero by 2050 commitment is supported in the medium-term by a roadmap to 2030, which provides a clear strategic pathway to a 30% reduction in our greenhouse gas emissions from a 2020 baseline.

The main footprint of our operations results from fuel consumption for our plant fleet..Within our Scope 1, our plant fuel consumption represents around 80% of our carbon emissions compared to our fleet-related emissions. Our Scope 2 emissions represent less than 3% of our carbon footprint. We recognise that Scope 3 emissions related to our business operations will be significantly higher than those currently reported within Scopes 1 and 2.

We have also committed to developing our Science Based Targets ("SBT") to allow us to set achievable emissions reduction targets against a representative base year to achieve Net Zero by 2050. We are actively engaging with our supply partners to understand the GHG emissions arising from the materials and services which they provide to us. Since 2022 we have implemented a strong focus on sustainable procurement practices by continuously monitoring suppliers against responsible sourcing standards. We have also implemented a new process to register suppliers, which includes a sustainability scoring system. Additionally, we are engaging with our suppliers and have provided lunch-and-learn sessions and open days to promote sustainable practices and technology that will benefit Group operations and support our ultimate Net Zero goal. Furthermore, we will implement the ISO 20400 for Sustainable Procurement across the business to ensure all our procurement practices are aligned to international standards.

As fuel consumption is the main contributor to our Scope 1 emissions; there will be a strong focus on assessing transitional ways to reduce emissions while technology is developed to reach reduction targets. Our company car scheme now includes more hybrid and electric cars, which give employees options to choose from lower-emissions vehicles. In addition, at our head office at Kirkby-in-Ashfield we have installed electric chargers for employee use.

Our Scope 2 emissions have been limited by a new purchase agreement for grid electricity from 100% renewable sources. The electricity supplied is certified under the Renewable Energy Guarantees of Origin ("REGO") scheme, which provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation. In addition, we are ESOS phase 2 compliant, and are in the process of achieving ISO 50001 Energy Management certification.

Key to our sustainability strategy is engagement with and participation in innovation projects with stakeholders. We are trialling battery-powered electric tools as opposed to fuel-powered tools in the aim to include more sustainable equipment in our operations. We are also involved in the trial of low-carbon cement (i.e. graphene) in our precast operations. Our near-term roadmap to 2030 includes involvement in trials of hybrid machinery and fleet such as hydrogen/diesel or hydrogen alone where technology is available.

CASE STUDY
DELIVERING INTERACTIVE STEM SESSIONS

Our commitment to providing value-added engineering services led us to conduct STEM sessions in schools throughout Leeds. Over 160 children were educated and entertained during these sessions, which were designed to encourage them to consider a future in construction.

These STEM sessions were delivered in partnership with Keltbray as part of our joint efforts in community engagement in the area, where we are supporting the delivery of the M621 improvement scheme for National Highways.

During the STEM sessions, children were introduced to the role of an engineer and the importance of engineering in our daily lives. They were also taught about various ground conditions and what's best for building roads. Using jelly, sand and Lego, they participated in interactive play sessions that demonstrated these concepts.

The children also learned about slope stability and the causes of slope failure. They discovered how to engineer a safer design using piles or soil nails to make a bridge secure.

CLIMATE RELATED FINANCIAL DISCLOSURES

We are committed to compliance with the new climate related financial disclosure requirements, providing our stakeholders with transparent information on climate-related risks and opportunities that are relevant to our business.

Our strategy focuses on improving our operations as well as the positive impact we can have on our clients, supply chain and the communities we work in to minimise our carbon footprint and promote more sustainable living.

We have made some disclosures that are only partially consistent with the disclosure requirements. We will continue to draw upon technical guidance to further strengthen our disclosures in future years as our journey progresses.

The following table summarises our disclosures:

Governance	Disclosure	Disclosure level
(a) Describe the board's oversight of climate-related risks and opportunities.	Our sustainability strategy was drafted in 2021 and is updated annually. Climate-related risks and opportunities are reviewed by the Board in annual strategy sessions. The Board has overall responsibility for strategic focus and oversight of the ESG strategy. The CEO has overall responsibility for the delivery of the ESG strategy and the CEO delegates matters relating to ESG and climate-related risks and opportunities to the sustainability working group ("SWG"). The SWG was set up to deliver on our sustainability commitments. Drawn from all departments in the Group to represent a wide-ranging and enthusiastic demographic, and chaired by a member of the executive leadership team, the SWG is designed to deliver our sustainability values and maintain our position at the forefront of sustainability issues. The SWG meets quarterly to discuss ongoing sustainability topics, including current projects and future prospects, current risks and opportunities, and upcoming legislative and reporting requirements. The capture and recording of GHG emissions is discussed, alongside current trending values and ideas and solutions on how to reduce them and capture them more accurately going forward. Scope 1 and 2 emissions are currently tracked via emission calculators, with Scope 3 emissions monitored via consistent input from the wider industry and our supply chain. Future reduction solutions are being sought in collaboration with our supply and industry partners via initiatives such as our highly successful Sustainability Open Days. The outcomes of the SWG are minuted and risks are incorporated into the Group's risk register, increasingly inclusive of ESG matters. The Board review the Group's risk register annually.	**Full disclosure**
(b) Describe management's role in assessing and managing climate-related risks and opportunities.	Routine risk assessments are carried out in all areas of Company operations, including project construction activities, manufacturing of construction products, facility and property management and investment, sustainable procurement of goods and services, and plant and fleet operations and investment. Sustainable procurement has been a key focus for us. Our supply chain has been streamlined to include only partners successful in the completion of a rigorous audit of their business, the key being their sustainability credentials. Reporting to our Executive Sustainability sponsor, and taking guidance from the SWG, our Sustainability and Environmental Manager oversees all aspects of sustainability and climate-related risks and opportunities, including tracking our Scope 1 and 2 emissions, and our commitments to current and future legislation. We have signed up to the Federation of Piling Specialists ("FPS") sustainability charter established in 2023. The charter is a summary of the key actions the governing body has committed to on behalf of its members. Our Sustainability Manager attends the quarterly FPS sustainability working group and reports back to us via the SWG and Executive sponsor. FPS member audits are now based on this charter, and the results are collated and anonymously reported back to its members on an annual basis. Partnership in this initiative enables the Group to take direction on the speed of Scope 1, 2 and 3 emissions and other sustainability matters in our industry. We are active gold-level members of the Supply Chain Sustainability School, an extensive library of knowledge sharing across the industry, covering a wide range of topics all aimed at enabling a sustainable built environment. This comprehensive CPD package is accessible to all, empowering employees across the business to take ownership of sustainability matters. Weekly divisional meetings include a sustainability item on the agenda to allow for engagement with the workforce to promote climate-related opportunities and to raise business cases for review at the SWG. Our quarterly Town Hall meetings provide a forum for updating all staff and raising awareness of our sustainability strategy. An internal poster campaign displayed around our offices and sites allows employees to view our specific commitments and where we are on our sustainability journey via clear graphical representation.	**Full disclosure**

Strategy	Disclosure	Disclosure level
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Our sustainability strategy is updated annually, the basis of which relates back to the Sustainability Development Goals (SDGs) developed in 2015 by the UN members. Current risks and opportunities included in our sustainability strategy are: **Risks** ▪ Lack of investor appetite for business without a clear ESG strategy ▪ Increased focus on ESG by our customers could result in loss of market share if ESG is not prioritised ▪ Acquisition of assets delivering carbon output reduction are likely to be more expensive ▪ Delivering carbon reduction requires significant internal resources and higher spend ▪ Business interruption due to increased chance of extreme climate events ▪ Stagnation of product offerings and lack of innovation could result in lost market share **Opportunities** ▪ Increased spend by our customers on infrastructure resilience to combat the effects of extreme climate events ▪ Leading on ESG is likely to be attractive to investors and customers ▪ Increased focus on efficiency and waste reduction in the business leading to cost savings ▪ Investment in more efficiency and more advanced plant will make us more attractive to customers and provide higher returns ▪ Our actions around climate-related matters enable us to uncover new solutions and innovations to enable us to be ahead of our competitors Our sustainability strategy is designed and developed to proactively anticipate the impact of sustainability including climate-related risk on our business.	**Full disclosure**
(b) Describe the impact of climate- related risks and opportunities on the organisation's business, strategy, and financial planning.	Identifying and reviewing climate-related risks and opportunities has encouraged our business to find ways to manage, mitigate and reduce the risks whilst capitalising on the opportunities. As a listed company, we have found institutional investors are seeking a stronger focus on ESG performance and climate change actions. As a result, each department within the business is championing and actively pursuing low-carbon solutions for our customers, supported by the SWG. The design and delivery of foundation solutions is increasingly focused on modern methods of construction with increased interest in lower-carbon footprint solutions such as vibro stone column and rigid inclusion foundation solutions, as well as low-carbon concrete alternatives such as GGBS cement replacement and graphene additives. Winning new work and sustaining/growing the business relies on providing customers with best-in-class performance and innovation for low-carbon solutions and against climate-related risks. Our business notes an increased demand for these products. A large part of our strategy focuses on educating clients in these areas and presenting these as alternatives to more traditional solutions. Current Early Contractor Involvement ("ECI") on major infrastructure projects is driving efficiencies in the design and delivery of more sustainable solutions to help futureproof these major works and help meet the increasing demands of government-backed clients. Developing these client relationships through ECI helps us to reduce risks and increase our opportunities around sustainability and greenhouse gas emissions. As shown by feedback to the SWG and from our Sustainability Open Day, our employees are increasingly expecting us to be the leader in our field in terms of sustainability, and are actively seeking opportunities to become involved in related working groups and initiatives where they can make personal contributions. The introduction of electric vehicles to all grades of our company car scheme and the installation of charging points at numerous locations across the business have been particularly welcomed. Both short and long-term financial planning for the business includes the potential impacts of investing in carbon reduction initiatives. Investment in plant and facilities is increasingly focused on sustainable initiatives, low-emission solutions and reduced environmental impact. Business improvement ideas, all of which are driven by sustainability in one way or another, are encouraged from all areas of the business, and are channelled into a shortlist of the most impactful initiatives by our Business Improvement Manager. These are allocated to project leads and reviewed monthly.	**Full disclosure**

CLIMATE RELATED FINANCIAL DISCLOSURES CONTINUED

Strategy	Disclosure	Disclosure level
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario.	Whilst we haven't yet carried out quantitative climate-related financial analysis based on a 2°C or lower scenario, we have started to engage with external advisers to support us with this aspect of compliance with the requirements. We expect to be compliant with a quantitative scenario analysis within the next two years. We have, however, identified a number of risks and opportunities stemming from a variety of climate related scenarios including a 2°C or lower scenario. These include both acute and chronic risks and opportunities: Acute risk events include: hot and cold weather events, flooding, drought and storms, disruption to the power and communication networks, water shortages and quality issues, failure of infrastructure such as track buckling, structural integrity and subsidence. In addition to these climate-based disruptions we are also planning around other potential disruptions, such as industrial action and future pandemics. Opportunities exist around these acute risks, in particular failure of infrastructure; as track, road and power distribution renewals are already a large part of our business, the increased risk of damage to these assets will inevitably lead to an increased level of spend by our customers. Chronic risks stemming from climate-related scenarios include: shortage of resources, shortage of skilled workforce, increased cost of materials, fuel, water and other services, the expectation and cost of meeting/complying with more stringent regulations, the increased cost of providing suitable PPE, training and safety equipment to the workforce, and business adaptations to fundamental changes to our transportation process. These chronic risks can be mitigated in various ways. Firstly, ensuring staff retention, alongside the education and development of staff, reduces the risks posed by a shortage of skilled workers, and helps our teams to drive and embrace innovation. A short lead in time for the majority of our contracts enables us to factor peaks and troughs within the supply chain in to our pricing, passing the most severe price fluctuations onto our customers. Where we are engaging in longer-term projects, contractual arrangements are made in order to protect the business from price fluctuations whilst providing the latest innovative and flexible solutions to clients. An increased focus on our relationships with our supply partners also provides resilience during periods of reduced availability of materials or services, and sharp fluctuations in cost.	**Partial disclosure**

Risk management	Disclosure	Disclosure level
(a) Describe the organisation's processes for identifying and assessing climate-related risks.	The management of risk within the business is by way of top-down control from the Board via the Audit and Risk Committee, and bottom-up control via the operational delivery and business-as-usual teams. Risks identified as high-level are monitored by the Audit and Risk Committee. This reviews the effectiveness of our risk management and control systems and procedures. Consultation between the Audit and Risk Committee and the operational delivery and business-as-usual teams provides consistency across all business divisions. We employ a dedicated Environmental Manager, who is responsible for managing environmental risks and opportunities, and reports to the SWG. The specific climate-related risk identification process is led by the SWG, which includes subject matter experts from across the organisation. The SWG ensures a consistent approach to climate-related risks from all areas and levels of the business. External industry practice from bodies such as the FPS and key customers is fed into the Group via the SWG. Findings inform budget setting, capital investment and supply partner direction. We have recently embarked on a series of workshops with the relevant leaders across the business to discuss and identify climate-related risks and to inform our disclosures. These workshops will work towards identifying the key climate-related risks so that we can build robust strategies around mitigating and managing the risks.	**Full disclosure**
(b) Describe the organisation's processes for managing climate-related risks.	Our risk management processes form a robust and effective way to identify, prioritise and manage risks across the business. We operate a divisional structure for the execution of projects, supported by central support services covering areas. Each divisional or functional manager manages sustainability risks within their routine operations, using a similar process to safety or quality risks. Risks are documented in our integrated management system – using approved method statements, risk registers and ITPs, and subject to progress reviews. This process is supported by the Environmental Manager and the SWG and by the deployment of competent staff and supervision.	**Partial disclosure**
(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Rather than a separate process, environmental risk management is included within our risk management strategy and is subject to review by the operational teams, supported by the SWG and the Environmental Manager. This way, risks identified by our sustainability strategy and the SWG, as well as specific project-related environmental risks, are built into our identification, assessment and management process. A formal review of the integrated management system is held annually to ensure compliance with our ISO accreditations. Audit points have been updated to include climate-related risks in our processes and policies.	**Partial disclosure**

Metrics	Disclosure	Disclosure level
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Reduction in our Scope 1 and 2 emissions is targeted against a 2020 baseline, which we have used to forecast a roadmap to 2030, and aligns to reach Net Zero by 2050.	**Full disclosure**

CO_2 reduction roadmap to 2030

Baseline 2020

2022

Responsible procurement
- Procurement management with sustainable approach

GHG emissions
- Commitment to Science Based Targets initiative

Energy efficiency
- 100% LED lighting at Kirkby
- 100% grid electricity from renewables

Efficient fleet
- Fuel efficiency focus (FORS Sliver)
- Fleet age limit
- Fuel monitoring devices

Lower-carbon fleet
- Hybrid and electric company cars

Research and innovation
- Trials of battery-powered tools

2025

Responsible procurement
- Sustainable procurement ISO 20400 certified

GHG emissions
- Validated Science Based Targets
- Value chain mapped (Scope 3)

Energy efficiency
- Energy Management certified ISO 50001
- Solar panels at Kirkby site
- On-site renewable energy feasibility across all facilities

Lower-carbon fleet
- Lower-carbon fuel for smaller plant
- Electric equipment and plant trials
- Hybrid/EV van trials

Research and Innovation
- Trials of lower-carbon concrete and steel

Design and manufacturing
- Carbon footprint estimations for all projects at design stages

2028

GHG emissions
- Monitoring of Scope 3 emissions
- Lifecycle Assessment ("LCA") for precast manufacturing

Water efficiency
- Rainwater harvesting at Kirkby facility and feasibility across sites

Lower-carbon alternatives embedded
- Hybrid/EV vans
- Hybrid/Electric generators
- Ultra low emissions engines

Design and manufacturing
- Use of low carbon materials based on Environment Product Declaration ("EPD")
- Low-carbon footprint project proposals

Research and innovation
- Stakeholder engagement to trial lower carbon materials and technology

2030

Lower carbon plant trials*
- Hybrid plant/fleet (hydrogen-diesel)
- Battery storage to power machinery

GHG emissions**
- GHG emissions against targets
- Update of Decarbonisation Strategy with latest technology available

Research and innovation
- Active participation in trialling latest available low-carbon materials and technology across the value chain

* Based on availability of technology.

** Emissions reduction target aligned to reach Net Zero by 2050.

CLIMATE RELATED FINANCIAL DISCLOSURES CONTINUED

Metrics	Disclosure level
(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks.	**Full disclosure**

Disclosure

Greenhouse gas reporting

We report our GHG emissions in accordance with UK regulations and the GHG Protocol Corporate Accounting and Reporting Standard methodology. Our reporting boundary is all material Scope 1 and Scope 2 emission sources within the boundaries of our consolidated financial statements.

As part of our continuous improvement strategy on environment and sustainability, we have reviewed and updated our GHG emissions inventory in FY2023 to ensure we cover all our activities under our financial scope. Therefore, we have recalculated our previous GHG emissions for Scope 1 and 2 according to the GHG Protocol and restated our FY2022 emissions. We will aim to regularly review our emissions reporting and recalculation policy to ensure we are reporting the GHG emissions from our operations accordingly.

Revenue in the year to 30 April 2023 was significantly ahead of the previous financial year, up 19% in total. This increased level of activity has meant an increase in the total tonnes of CO_2e emissions compared with the previous year; however, the Group's intensity measure, the absolute tonnes equivalent CO_2e per million pounds of revenue, has decreased from 74 to 70 in FY2023 as the business continues to make progress on delivery of its sustainability strategy.

GHG emissions from:	**Tonnes of CO_2e 2023**	Tonnes of CO_2e 2022 Restated
Scope 1 – combustion of gas and fuel for transport and rig operation	**10,139**	8,992
Scope 2 – purchase of electricity	**232**	221
Total CO_2e emissions	**10,371**	9,213

Intensity measurement:	**2023**	2022
Absolute tonnes equivalent CO_2e per £m of revenue	**70**	74

Energy usage from:	**2023**	2022
Scope 1	**41,933**	36,506
Scope 2	**1,198**	1,039
Total MWh	**43,131**	37,545

We do not currently record Scope 3 emissions; however, we are actively engaging with our supply partners to understand the GHG emissions from the materials and services which are supplied to us. We are committed to working with them to understand future innovations and whole lifecycle solutions that can be adopted and offered to our customers. Our strategy is focused on the development of low-carbon solutions and the education of customers to help them understand and embrace these technologies.

Metrics	Disclosure	Disclosure level
(a) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We signed up to the Science Based Target initiative ("SBTi") at the end of 2022. We are currently in the process of developing our targets and metrics in line with this initiative, and within the next two years we will be at a point where they have been approved by the SBTi. We continue to monitor and record our Scope 1 and 2 emissions in line with recommendations (as above) and are actively pursuing solutions, including in collaboration with our supply partners, to minimise our Scope 3 emissions. We will record these in line with legislation as part of our commitment to SBTi and Net Zero by 2050. In addition, we have mapped out our Net Zero journey. This is shared across the business via the intranet and notice boards in our offices. We will soon be updating the sustainability section of our website to include our map and how we are currently performing against our plan and commitments. We have aligned our vision with the United Nations Sustainable Development Goals, and these metrics inform our strategy towards this goal.	**Partial disclosure**

How we engage with our stakeholders

In performing their duty under S172(1) of the Companies Act 2006, the Board ensures that the impact on our stakeholders is carefully considered by management when formulating all proposals requiring Board approval.

Our approach to stakeholder engagement

Stakeholder	Key concerns	Engagement
Shareholders	▪ Group performance ▪ Strategic objectives ▪ Corporate governance ▪ Environmental, social and governance performance ▪ Share price	▪ A comprehensive investor relations programme ensures regular meetings are held between major shareholders and the Executive Directors ▪ Investor roadshows are held at the time of interim and final results ▪ Presentation of the interim and final results, as well as other significant events, are held via Investor Meet Company for potential institutional and retail investors ▪ Regular trading updates, including updates for significant events are made throughout the year ▪ The Annual General Meeting provides an opportunity for shareholders to meet with the Board and ask questions
Employees	▪ Health and safety ▪ Engagement and development ▪ Diversity ▪ Leadership	▪ The Board receives and reviews monthly health and safety performance reports ▪ Annual performance appraisals, which include a personal development review, are undertaken for all staff during the year ▪ We operate a leadership development programme with a structured programme of development for the cohort of employees with potential to be future business leaders ▪ Our leadership team conducts periodic Group-wide briefings to share key information with employees ▪ A monthly Company newsletter, “Grounded”, is issued to keep employees well informed ▪ An annual employee engagement survey is used to collate employee views and drive change ▪ Regular senior manager site visits are conducted to understand the experience of on-site operational staff ▪ All whistleblowing reports and grievances are investigated, and appropriate changes implemented to help prevent reoccurrence
Customers	▪ Customer engagement ▪ Quality and service level ▪ Innovative contract delivery	▪ Regular meetings are held between senior management and key customers to develop long-term relationships ▪ Managers undertake site visits regularly to manage quality and service levels on ongoing contracts ▪ Customer experience scores are reported internally and used as part of lessons learned sessions to drive continual improvement ▪ Teams work collaboratively with customers to develop design solutions that enable customers’ aspirations to be fulfilled
Suppliers	▪ Strong supplier relationships ▪ Continuity of supply ▪ Financial strength and stability	▪ Regular review meetings are held between senior management and key suppliers to discuss relevant topics, such as pricing, supply continuity and service levels ▪ Focus is placed on developing key strategic supplier partnerships ▪ Our funding structure and balance sheet strength are kept under constant review to ensure suppliers are paid in accordance with agreed terms and to ensure sufficient working capital management throughout the supply chain

Our approach to stakeholder engagement continued

Stakeholder	Key concerns	Engagement
Community	▪ Health and safety ▪ Contribution to the community ▪ Sustainability	▪ A significant apprenticeship scheme is embedded within the organisation as we aim to have 5% of our total staff employed as graduates, apprentices or trainees ▪ We aim to recruit locally, retain a skilled local workforce and build relationships with local community organisations ▪ We support a different local charity each year based on employee nominations ▪ Employees engage in various community events including litter picking, delivering STEM sessions in schools and donating goods to local community groups
Government and Regulatory/ Industry Bodies	▪ Compliance with laws and regulations ▪ Upholding appropriate corporate governance	▪ We adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA code") and operate policies to ensure compliance with the code ▪ Clear and effective policies are in place to help prevent wrongdoing, including whistleblowing, anti-bribery and corruption, anti-fraud and tax evasion, financial crime and modern slavery, with training provided where appropriate ▪ Regular meetings are held with tax advisers to discuss tax compliance, HMRC correspondence and other relevant issues pertinent to our finances and tax position ▪ We are a member of several relevant sector associations including the Federation of Piling Specialists, which provide forums to understand changes in relevant legislation and standards

Directors' s172 statement

The Board of Directors considers that it both individually and collectively, has acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1)(a-f) of the Act) in the decisions it has taken during the year ended 30 April 2023.

In making this statement, the Directors, having regard for longer-term considerations of shareholders and the environment, have taken into account the following:

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

Shareholder engagement events

Date	Event
May 2022	Trading update for FY2022
June 2022	Announcement of TRU award
July 2022	Rail sector update Investor Meet Company presentation
August 2022	FY2022 annual report and final results announcement with investor roadshow and Investor Meet Company presentation
September 2022	Annual General Meeting and trading update
October 2022	Announcement of strategic contract award
November 2022	Presentation at the MelloLondon investor conference Trading update for FY2023 H1
January 2023	FY2022 interim results investor roadshow and Investor Meet Company presentation
February 2023	Online presentation for MelloMonday investor conference
April 2023	Trading update for FY2023
July 2023	FY2023 annual report and final results announcement with investor roadshow and Investor Meet Company presentation

KEY DECISIONS

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

Decision 1

SETTING THE ANNUAL GROUP BUDGET AND SUBSEQUENT FORECASTS

Actions taken

- Reviewed and approved Group budgets for FY2024 and high-level profit and cash forecasts for the following 12 months

Key stakeholder groups considered

- In reviewing the budget and subsequent forecasts, the Board considered the impact on all stakeholders
- Setting the budget identified key areas of focus for the Group, providing development opportunities for employees
- In setting the budget the Board also gave consideration to customers and identified opportunities to develop customer relationships and improve service delivery and efficiency
- In setting the budget, consideration was given to suppliers around payments ensuring that there was clarity around when payments would be made to allow suppliers to effectively manage working capital

Decision 2

UPDATING THE STRATEGIC PLAN AND PRIORITIES

Actions taken

- Reviewed and approved updates to the strategic plan including key milestones and financial targets

Key stakeholder groups considered

- In updating the strategic plan, consideration was given to market developments and the alignment of strategic priorities and financial resources to growth areas to maximise opportunities and deliver enhanced shareholder value
- Updating the strategic plan identified key areas of focus for the Group, providing development opportunities for employees
- Consideration was given to the achievement of sustainability targets, in particular the reduction of carbon with strategic plans incorporating moves to alternative raw materials and electric rigs
- In updating the strategic plan, the Board also considered customers and identified opportunities to develop customer relationships and improve service delivery and efficiency

Decision 3

ASSESSMENT OF CYBER-ATTACK RISK MITIGATION

Actions taken

- The Board has reviewed the cyber-attack risk mitigation activities and concluded on additional mitigations and controls required to reduce the risks associated with a cyber attack to an appropriate level. Additional mitigations and controls include cyber insurance, multi-factor authentication, additional cyber accreditations and removal of external storage devices

Key stakeholder groups considered

- In considering the level of risk to which the Group is exposed, the Board has sought to protect shareholder interest with the introduction of additional risk mitigation procedures
- Employees have been engaged in the developments in cyber security with regular email communications, including guidance on identifying malicious communications and the roll-out of an ongoing cyber security training programme for all employees
- Consideration has been given to protection of customer, supplier and employee data, as well as minimising the level of disruption in the event of a cyber attack to maintain service levels throughout the supply chain, including payments to suppliers and employees

Decision 4

REVIEW OF STRATEGIC GROWTH OPPORTUNITIES VIA MERGER OR ACQUISITION

Actions taken

- The Board has considered several opportunities for transformational growth and bolt on acquisitions throughout the year

Key stakeholder groups considered

- In reviewing opportunities for growth, the Board has considered the need to deliver enhanced shareholder value with a focus on those opportunities that are low risk, complementary to the existing business and value enhancing
- The impact of growth opportunities on employees, including enhanced development opportunities, has been considered. Where appropriate, management input has been sought on review of opportunities
- Consideration has been given to improving customer experience by offering a more diversified product offering

Mitigating risk to deliver increasing shareholder value

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 our 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 our principal risks, taking the strength of our control systems and our 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 exhaustive analysis of all risks that may arise in the ordinary course of business or otherwise.

Reviewing our risk register

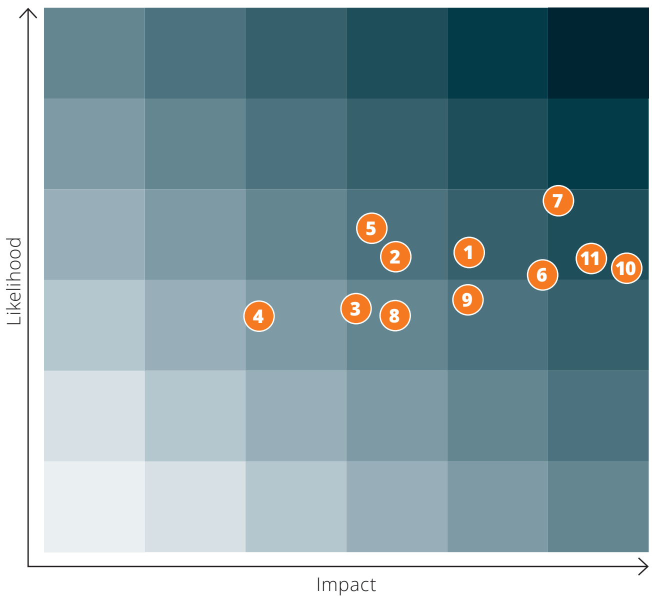
The risk registers of each division, together with the Group risk register, are updated and reported to the Audit and Risk Committee to ensure that adequate information in relation to risk management matters is available to the Board and to allow Board members the opportunity to challenge and review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

Risks

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

RISK MANAGEMENT FRAMEWORK

RISK HEATMAP



PRINCIPAL RISKS

Risk description	Potential impact	Mitigation	Change	Link to strategy
Market risk				
1 A rapid downturn in our markets				
Inability to maintain a sustainable level of financial performance throughout the construction industry market cycle, which grows more than many other industries during periods of economic expansion and falls harder than many other industries when the economy contracts. Failure of a key client resulting in market volatility.	Failure to continue in operation or to meet our liabilities.	Diversification of our markets, both in terms of geography, including Rail expansion into Canada and market segment. Focus on longer-term partnerships and building on existing client relationships. Debt facility of up to £11m provides headroom for us to withstand a downturn in markets. Regular review of market conditions and forward indicators to assess whether any action is required to flex the cost base.	–	2 3
Strategic risks				
2 Failure to procure new contracts				
Failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change or demand reduces due to general adverse economic conditions.	Failure to achieve targets for revenue, profit and return on capital employed.	Continually analysing our existing and target markets to ensure we understand the opportunities that they offer. Focused customer engagement earlier in the design process to ensure our solutions are embedded into the design. Review of potential bolt-on acquisitions to expand the product offering and differentiate ourselves further from competitors. Structured bid review process throughout the Group with well-defined selectivity criteria, designed to ensure we take on contracts only where we understand and can manage the risks involved.	–	2 3
3 Loss of market share				
Inability to achieve sustainable growth, whether through acquisitions, new products, new geographies or industry-specific solutions.	Failure to achieve targets for revenue, profits and return on capital employed.	Continually seeking to differentiate our offering through service quality, value for money and innovation. A business development team focusing on our customers' requirements and understanding our competitors. Reviewing acquisition opportunities where they may be favoured over organic growth. Implementing annual efficiency and improvement programmes to help us remain competitive. Focused on refining strategic client relationships in all sectors.	–	2 3
4 Non-compliance with our Code of Business Conduct				
Not maintaining high standards of ethics and compliance in conducting our business or failing to meet local or regulatory requirements.	Loss of the trust of our customers, suppliers and other stakeholders with consequent adverse effects on our ability to deliver against our strategy and business objectives. Substantial damage to our brand and/or large financial penalties.	Having clear policies and procedures in respect of ethics, integrity, regulatory requirements and contract management. Maintaining training programmes to ensure our people fully understand these policies and requirements. Operating and encouraging the use of anti-bribery and corruption and whistleblowing policies. Clear communication of our values.	–	1 3

PRINCIPAL RISKS CONTINUED

Risk description	Potential impact	Mitigation	Change	Link to strategy
Operational risks				
5 Product and/or solution failure				
Failure of our product and/or solution to achieve the required standard.	Financial loss (including warranty claims) 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. We maintain comprehensive insurance cover including adequate PI cover and clear terms of business with customers and suppliers. We manufacture our products in an ISO 1101 quality environment, and all have CE approval.	–	1
6 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.	Ensuring we understand all our risks through the bid appraisal process, application of clear contractual terms and robust policies and processes to manage and monitor contract performance. Ensuring we have high-quality people delivering projects. Our Perfect Delivery Concept establishes the criteria to achieve effective first-class solutions and service for our clients. Clear delegation of authority with established contract approval levels.	–	1 2 3
7 Failure to comply with health and safety and environmental legislation				
A fatality or serious injury to an employee or member of the public through a failure to maintain high standards of safety and quality.	Loss of employee, customer, supplier and partner confidence, and damage to our brand reputation in an area that we regard as a top priority.	A Board-led commitment to achieve zero accidents. Visible management commitment with safety tours, safety audits and safety action groups. Implementing management systems that conform to Occupational Health and Safety Assessment Systems (ISO 9001, ISO 14001 and ISO 45001). Extensive mandatory employee training programmes. A strengthened HSQE team developed across FY2022 and FY2023.	–	1

Risk description	Potential impact	Mitigation	Change	Link to strategy
8 Not having the right skills to deliver				
Inability to attract, retain and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.	Failure to maintain satisfactory performance in respect of our current contracts and failure to deliver our strategy and business targets for growth.	Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential. Pre-employment checks ensure we have the right people in the right roles. Competitive remuneration packages, including a Group-wide bonus scheme, and additional employee incentives ensure we can attract and retain talent.	–	1 3
9 Raw material inflation and availability				
A shortage of raw material product available in the market causing delays to project delivery. Margin reduction on longer-term contracts where price increases cannot be passed onto customers.	Impairment of our ability to deliver contract works at profitable margins.	Regular monitoring of key material costs by the procurement function to ensure contract pricing is updated in line with cost inflation. Robust process for monitoring contract financial performance to track the impact of cost volatility. Tenders and contracts qualified to transfer the risk of significant material cost increases to the client. The Group applies selective criteria when choosing suppliers to ensure standards for quality, reliability and financial partnering are satisfied. A diverse supplier base is maintained to increase opportunities for supply.	–	2
10 Cyber attack				
A cyber/hacking attack could temporarily impact on the ability of the IT systems to operate.	A cyber/hacking attack could impact the ability to procure materials and consumables to fulfil contract performance. A data breach could have significant financial consequences for the Group.	Robust IT systems and processes maintained to mitigate the threat of a cyber attack. Cyber insurance in place from 1 May 2023. Various actions undertaken in FY2023 to improve defences against a cyber attack including: cyber accreditations, removal of external storage devises, improved email filters, improved firewalls, cyber security and phishing training roll-out and multi-factor authentication introduced.	NEW	1 2 3
Financial risks				
11 Inability to finance our business				
Loss of access to the financing facilities necessary to fund the business.	Failure to continue in business or to meet our liabilities.	Debt facility of up to £11m provides headroom for us to withstand a downturn in markets. Extension of debt facility to 2028 in progress.	–	2 3

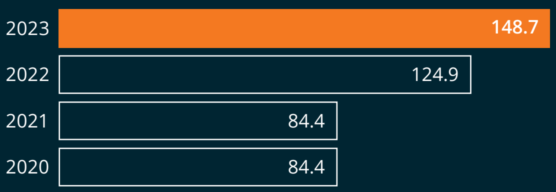
Improving financial performance

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

Revenue
(£m)

£148.7m

+19.1%



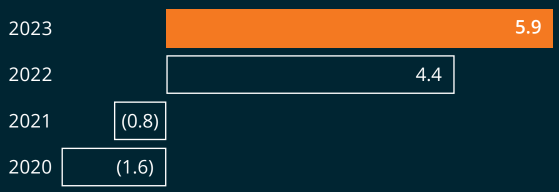
Description
Revenue and revenue growth track our performance against our strategic aim to grow the business.

Performance
Revenue increased by 19% in total across the year to £148.7m. Strong trading momentum in the later part of FY2022 was sustained throughout H1, with all divisions operating at high activity levels and delivering record revenues. Rates of revenue growth slowed in H2 due to the industry-wide softening and investment delays due to macro-economic factors in the housing and infrastructure markets.

Operating profit
(£m)

£5.9m

+34.0%

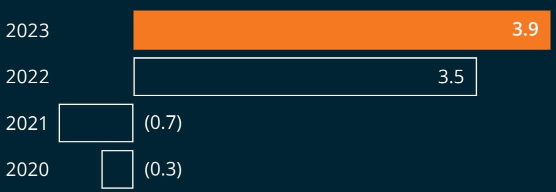


Description
Reported operating profit is the basis for calculating other reported KPIs and is after all categories of non-underlying items.

Performance
Operating profit has increased significantly in the year as record activity levels and flat gross margins resulted in improved overhead recovery rates.

Operating profit margin
(%)

3.9%

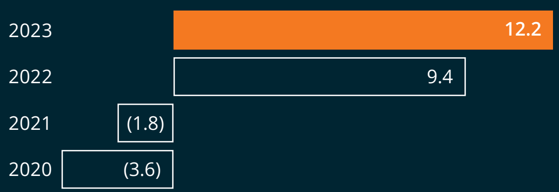


Description
Operating profit margin is a key measure of performance against our strategic growth objectives.

Performance
Operating profit margin has increased significantly in the year as record activity levels and flat gross margins resulted in improved overhead recovery rates.

Return on capital employed
(%)

12.2%



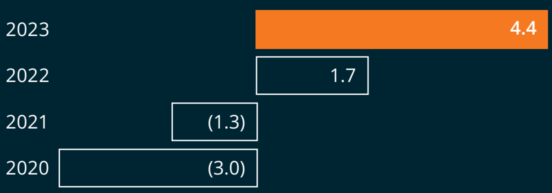
Description
This measure indicates the rate of return per pound invested in the operating assets of the business. Capital employed is taken to be average net assets excluding net funds (including IFRS 16 Property and Vehicle Lease Liabilities) and earnings is taken as operating profit.

Performance
ROCE has increased in the period to 12.2% at 30 April 2023 (2022: 9.4%), reflecting the impact of increased operating profits.

Earnings per share
(p)

4.4p

+147.0%



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

Performance
Reported basic earnings per share was 4.4p (2022: 1.7p) reflecting higher reported operating profits in the period.

Net funds
(£m)

£7.5m

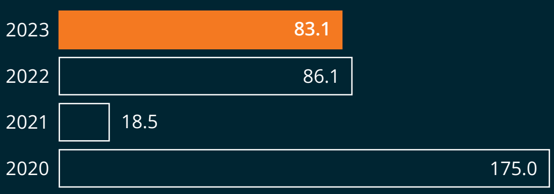
+27.6%

Description
Net funds reflects the Group's total cash and cash equivalents less any borrowings, excluding IFRS 16 Property and Vehicle Lease Liabilities.

Performance
Net funds have increased by £1.6m to £7.5m. Cash has increased by £1.9m to £8.9m as at 30 April 2023, and hire purchase debt has increased by £0.3m to £1.3m. The Group's asset backed lending facility of up to £11m was undrawn as at 30 April 2023.

Operating cash conversion
(%)

83.1%

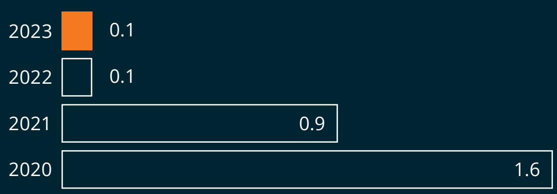


Description
By looking at cash generation at the operational level, the quality of our profits can be tracked. This measure takes cash generated from operations as a percentage of EBITDA.

Performance
Operating cash conversion has declined slightly in the year to 83.1% as the significant increase in revenue has resulted in a requirement to invest in working capital.

Leverage
(times)

0.1



Description
This KPI measures our total debt as a proportion of EBITDA.

Performance
Leverage continues to be low as debt levels remain low. Our only remaining debt finance as at 30 April 2023 is £1.3m, being the amounts due on remaining hire purchase agreements that are due to expire in August 2024.

Record revenues and margin growth

GRAEME CAMPBELL
Chief Financial Officer

OVERVIEW

- Revenues up 19% on the previous financial year to £148.7m, with significant activity within the residential sector and several large infrastructure contracts delivered during the year
- Gross margins maintained due to higher rig utilisation and improved contract execution offsetting negative margin mix and cost inflation
- Growth in operating profit margin to 3.9%
- Growth in return on capital employed to 12.2%
- Year-end cash balance £8.9m
- FY2022 final dividend of 1.0p and FY2023 interim dividend of 0.4p paid during the year
- Capital expenditure of £6.2m focused on Rail fleet growth and renewal of transport fleet
- Low level of debt with adequate liquidity headroom to support further growth and investment

Inflation has continued to impact the Group throughout the year, mitigated through contract price mechanisms as far as possible."

Financial review

Revenue

Revenue in the year to 30 April 2023 was significantly ahead of the previous financial year, up 19% in total. Strong trading momentum in the later part of FY2022 was sustained throughout H1, despite a challenging macro environment, with all divisions operating at high activity levels and delivering record revenues in the first half of the financial year. Rates of revenue growth slowed in H2 due to the industry-wide softening and investment delays due to macroeconomic factors in the housing and infrastructure markets. Despite market challenges and seasonal impacts on contract delivery during H2, revenues grew by 5% on the preceding year H2.

	2023 £'000	2022 £'000	Change %	**2023 %**	2022 %
H1	**80,836**	60,061	34.6	**54.3**	48.1
H2	**67,898**	64,854	4.7	**45.7**	51.9
Revenue	**148,734**	124,915	19.1	**100.0**	100.0

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

	2023 £'000	2022 £'000	Change %	**2023 %**	2022 %
Residential	**56,860**	53,307	6.7	**38.2**	42.7
Infrastructure	**62,592**	43,378	44.3	**42.1**	34.7
Regional construction	**28,943**	27,879	3.8	**19.5**	22.3
Other	**339**	351	(1.5)	**0.2**	0.3
Revenue	**148,734**	124,915	19.1	**100.0**	100.0

Residential: Record levels of enquiries and contract activity reported in FY2022 continued into early FY2023, buoyed by pending changes in building regulations, which resulted in significant levels of new-builds being started. The levels of new-build housing starts began to slow down in Autumn 2022 due to increasing interest rates and approaching regulation changes. Despite this, enquiry and order levels remained at strong levels throughout H2 of FY2022, albeit lower than H1 levels.

KEY FINANCIAL DATA

Revenue	Return on capital employed	Net funds*	Operating profit margin	Operating profit
£148.7m	12.2%	£7.5m	3.9%	£5.9m

* Net funds excluding IFRS 16 Property and Vehicle Lease Liabilities.

Infrastructure: Rail activity levels improved in FY2023 as rail infrastructure spend levels increased ahead of the end of control period 6 in March 2024, and work was completed on our first major electrification programme since 2018. We has also had success in delivering two significant energy infrastructure projects utilising our deep CFA technical expertise, which drives the significant increase in this sector's revenues in FY2023. The government pause to the new "all lane running" Smart Motorway projects has resulted in a slowdown in highways work during the year, although the final phase of the significant M6 contract, with installation of ScrewFast piles, was completed during the year, and work on new emergency areas on the existing smart motorway network is due to commence in H1 of FY2024.

Regional construction: The sector has remained highly competitive despite an increase in activity levels. During the year we continued to secure and deliver high-quality projects whilst also continuing to focus on contract execution and commercial improvement. We had success in delivering large schemes utilising our vibro and recently developed rigid inclusions techniques.

The mix of revenue by segment is shown below:

	2023 £'000	2022 £'000	Change %	2023 %	2022 %
General Piling	**54,838**	38,974	40.7	**36.9**	31.2
Specialist Piling and Rail	**46,593**	45,771	1.8	**31.3**	36.6
Ground Engineering Services	**47,067**	40,043	17.5	**31.6**	32.1
Head office	**236**	127	85.8	**0.2**	0.1
Revenue	**148,734**	124,915	19.1	**100.0**	100.0

General Piling revenues, whilst impacted by high levels of competition within the regional construction market, have grown significantly in FY2023, with two significant energy infrastructure projects delivered during the year, which, combined, delivered £18m of revenue in FY2023. Revenue was also supported by further growth in our relatively new rigid inclusions technique, with several large projects completed successfully during the year.

The Specialist Piling and Rail segment includes ScrewFast, which, as of the beginning of the financial year, was fully integrated into the Specialist Piling division. Growth in Rail revenues, driven by an increase in infrastructure spend ahead of the end of control period 6, delivery of significant electrification programmes and diversification into the rail civils market during the year, is offset by a reduction in activity within the Specialist Piling division predominately due to the slowdown in highways work as a result of the pause to the new Smart Motorways schemes. As such, revenue growth in this segment has been slower than the other segments in FY2023.

As part of the strategic plan to grow the Rail division, Van Elle Canada Inc was incorporated in March 2023 ahead of major rail infrastructure and electrification opportunities in Ontario, which are expected to commence in FY2024.

Growth in the Ground Engineering Services division's revenue reflects the significant demand in the residential sector during the year and expansion into rail and highways ground investigation. The division has operated at near-capacity for the majority of the year.

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

Gross profit

Gross margin remained relatively flat in FY2023 at 27% (FY2022: 27%).

The strong growth in Ground Engineering Services revenues, particularly Housing, has a negative mix impact due to the highly competitive sector delivering margins at the lower end of our margin range. The two significant infrastructure projects supporting General Piling growth also have a negative mix impact with gross margins at the lower end of our margin range. These projects did, however, provided substantial overhead cover.

Despite the negative revenue mix, gross margins have been maintained in FY2023 due to improved contract execution across all divisions, higher rig utilisation due to increased volumes and a softening of the supply chain challenges, including raw material availability and price volatility, seen in the previous financial year. Wage, utilities and fuel inflation have continued to impact us throughout the year, mitigated through contract price mechanisms as far as possible.

Financial review continued

Operating profit

Total operating profit and operating profit margins have improved in FY2023 as record activity levels resulted in improved overhead recovery rates. The rate of operating profit growth is limited by inflationary pressures, particularly in wages, utilities and fuel experienced during the year. These cost increases have been mitigated through contract price mechanisms as far as possible; however, in some cases there is a lag in recovery.

	2023 £'000	2022 £'000
Operating profit	**5,858**	4,372
Operating margin	**3.9%**	3.5%

Alternative performance measures

In previous years, we have presented alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS. We believe that these APMs provide depth and understanding to the users of the financial statements to allow for further assessment of the underlying performance of the Group and comparability from one year to the next.

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

Our non-underlying items in FY2023 include a credit of £427,000 relating to the reduction in the deferred consideration due in respect of the acquisition of ScrewFast, and a charge of £350,000 relating to two warranty claims where the estimated costs of remediation have increased in the current financial year. The total value of £77,000 is recognised within administration expenses and forms part of underlying operating profits. Underlying operating profits and reported operating profits are consistent in FY2023. This is consistent with presentation in the previous financial year.

Net finance costs

Net finance costs were £487,000 (2022: £779,000). Finance costs relate to interest on outstanding hire purchase agreements and interest on property and vehicle liabilities classified under IFRS 16. Finance costs in the preceding year included accelerated interest charges as a result of early repayment of loans and hire purchase agreements in ScrewFast, which were repaid in April 2022.

Taxation

The effective tax rate in the year is 12.9% (2022: 48.2%). We have benefitted from the super deduction allowances on qualifying items of plant and machinery during the year, resulting in an effective tax rate below the rate of corporation tax applicable in the financial year. We carried forward taxable losses in the current financial year. Tax losses have been recognised on the basis we have net deferred tax liabilities against which to offset.

Our net deferred tax liabilities were restated from 19% to 25% in the preceding year, resulting in the significant effective tax rate of 48.2% in FY2022.

Dividends

An interim dividend of 0.4p (2022: nil) was paid on 17 March 2023. The Board is recommending a final dividend of 0.8p (2022: 1.0p) taking the total dividend payable for the year to 1.2p (2022: 1.0p).

Subject to approval at the Annual General Meeting on Thursday 21 September 2023, the recommended final dividend will be paid on 13 October 2023 to shareholders on the share register as at 29 September 2023. The associated ex-dividend date will be 28 September 2023.

Earnings per share

Basic and diluted earnings per share are 4.4p in FY2023 (2022: 1.7p). An adjusted earnings per share of 2.7p was reported in the preceding financial year based on profit before non-underlying items, net of tax, and the one-off deferred tax charge relating to the restatement of deferred tax liabilities from 19% to 25%.

Balance sheet

	2023 £'000	2022 £'000
Fixed assets (including intangible assets)	**45,630**	43,377
Net working capital	**9,973**	8,113
Net funds/(debt)	**367**	134
Deferred consideration	**(790)**	(1,220)
Taxation and provisions	**(5,149)**	(3,793)
Net assets	**50,031**	46,611

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

Net assets increased by £3.4m to £50.0m (2022: £46.6m). ROCE has increased in the period to 12.2% at 30 April 2023 (2022: 9.4%), reflecting the impact of the increased operating profit.

We invested £6.2m in capital over the course of the year with three new Rail rigs added to the fleet, as well as the mid-life overhaul and upgrade of approximately one-third of the existing Rail fleet. The programme of overhaul and upgrade commenced in the previous financial year and is due to conclude in FY2024. Investment in the Rail fleet supports growth opportunities in this sector in the UK and overseas. Approximately half of our ageing transport fleet was also replaced with more efficient vehicles in the financial year, with the remainder due to be replaced in FY2024.

Working capital (defined as inventories, trade and other receivables and trade and other payables) increased to £10.0m (2022: £8.1m), due to increased activity in the year.

The estimated remaining balance due in respect of the acquisition of ScrewFast Foundations Limited on 1 April 2021 is £790k, of which £740k is a guaranteed sum due on 31 August 2023 and £50k is the expected outcome of the consideration payable based on post-acquisition performance to 31 May 2023 and payable on 31 August 2023. This is a reduction of £427k on the estimate as at 30 April 2022 and £1.1m below the maximum possible contingent consideration. Performance is expected to be at the lower end of the pay-out range due to the delay to several large highways projects caused by a pause to the Smart Motorways programme, a work bank that favours the ScrewFast piling solution. Significant opportunities for ScrewFast in highways, high-voltage power and modular homes exist in FY2025 and beyond.

Our deferred tax liability has increased in FY2023 due to utilisation of the super capital allowances scheme. Corporation tax receivables have also reduced in the year following the repayment of corporation tax as a result of an extended loss carry-back claim made in April 2022.

Net funds

	2023 £'000	2022 £'000
Bank loans	**—**	—
Lease liabilities	**(8,518)**	(6,853)
Total borrowings	**(8,518)**	(6,853)
Cash and cash equivalents	**8,885**	6,987
Net funds	**368**	134
Net funds excluding IFRS 16 Property and Vehicle Lease Liabilities	**7,526**	5,935

Net funds has increased during the year to £0.4m (2022: £0.1m) with total cash and cash equivalents increasing to £8.9m at 30 April 2023 (2022: £7.0m).

Our lease liabilities includes £7.2m of IFRS 16 Property and Vehicle Lease Liabilities (2022: £5.8m). The increase in IFRS 16 Property and Vehicle Lease Liabilities reflects the renewal of our van fleet, which commenced in previous years and was substantially complete in FY2023. Additional vans, required to service additional activity levels, have also been taken during the year. Vans are leased on a long-term hire basis over a period of four years with early termination possible.

Remaining lease liabilities of £1.3m relate to outstanding hire purchase agreements. The majority of outstanding hire purchase debt relates to two new hire purchase agreements taken out in H1 of the current year, funded on a variable basis, expiring in August 2024.

We have an £11m asset back lending facility, secured against our receivables and certain tangible assets. A draw-down of the facility was made in H1 to support working capital investment given the significant increase in revenues. This was repaid in H2 and the facility remains undrawn as at 30 April 2023. There are no financial covenants associated with the facility, which is due to expire in October 2024. It is expected that the facility will be extended for a further four-year period to October 2028.

Cash flow

	2023 £'000	2022 £'000
Operating cash flows before working capital	**11,846**	9,816
Working capital movements (including provisions and deferred consideration)	**(1,885)**	(1,442)
Cash generated from operations	**9,961**	8,374
Income tax received	**323**	—
Net cash generated from operating activities	**10,284**	8,374
Investing activities	**(5,602)**	(4,738)
Financing activities	**(2,784)**	(5,167)
Net increase/(decrease) in cash	**1,898**	(1,531)

Operating cash flows of £10.0m have primarily been used to repay outstanding debt and fund capital expenditure. Working capital increased in the year, due to the increased trading levels.

Graeme Campbell
Chief Financial Officer
25 July 2023

Corporate governance

Contents

Leading with experience

A N R

Frank Nelson
Non-Executive Chair

Mr Nelson has over 30 years' experience in the housebuilding, infrastructure and energy sectors. He is a qualified accountant and is currently the Senior Independent Director of Eurocell plc, and the Chair of private equity-backed contractor and developer DSM SFG Group Holdings Limited. He was previously a Non-Executive Director at Telford Homes Plc and a Senior Independent Director at McCarthy and Stone. He recently retired as Senior Independent Director of HICL, the FTSE 250 infrastructure investment company.

Mark Cutler
Chief Executive Officer

Mr Cutler was appointed to the Board in August 2018. A graduate of Imperial College London, Mr Cutler is a chartered civil engineer with over 30 years' experience in the infrastructure, construction and utility sectors, having held various senior leadership roles with major UK contractors. Mr Cutler joined Tarmac Construction (later Carillion) as a graduate in 1990, working on several major civil engineering projects, leaving in 2005 to join Morgan Sindall as the Managing Director of its Infrastructure division. In 2010 he became Chief Executive of privately owned water sector specialist Barhale. In 2014 he joined Balfour Beatty, initially to lead its portfolio of UK regional civil engineering and construction businesses and latterly, before joining Van Elle, was Managing Director of the Balfour Beatty VINCI joint venture for High Speed 2.

Graeme Campbell
Chief Financial Officer

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

A N R

David Hurcomb
Independent Non-Executive Director

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

A N R

Charles St John
Non-Executive Director

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

Key to Committee membership

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

Promoting long-term sustainable success

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

The Company adopts the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") on the basis the Board considers this to be the corporate governance code most suited to the size, risks, complexity and operations of the business.

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

Board composition and operation

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

The Board currently comprises two Executive and three Non-Executive Directors, one of whom is the Chair. The Non-Executive Directors are considered independent of the Company and, other than their fees and shareholdings as set out on pages 64 and 65, have no other financial or contractual interest in the Company.

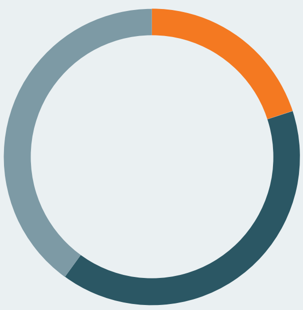
There is a clear division of responsibilities between the Chair and the Chief Executive Officer. The role of the Chair is to manage the Board in the best interests of its stakeholders, to ensure that shareholders' views are communicated to the Board and to be responsible for ensuring the Board's integrity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

The role of the Chief Executive Officer is to manage the Group's operations on a day-to-day basis, to ensure that Board decisions are implemented effectively and to develop and propose the Group's strategy to the Board. The Group's business model and strategy are described in detail in the strategic report.

The strategy is closely monitored by the Board through reporting and discussion at Board meetings, including periodic reviews as part of the wider Board meeting agenda. Specific strategy updates are also held periodically with the senior management team. Progress on strategic actions are reviewed in the context of market developments and financial targets are kept under close review to ensure capital resources are directed to growth areas.

The Board is satisfied that it has a balanced composition, with relevant sector and public market skills and expertise, details of which can be seen in the biographies on page 51. Directors maintain their expertise through attending relevant training and networking events and through ongoing experiences in other organisations.

Board composition



Key

- Chair 1
- Non-Executive 2
- Executive 2

Meeting attendance

Director	Board meetings
Frank Nelson (Chair)	●●●●●●●●●●
David Hurcomb	●●●●●●●●●●
Charles St John	●●●●●●●●●●
Mark Cutler	●●●●●●●●●●
Graeme Campbell	●●●●●●●●●●

Every Director was in attendance at all Board meetings during the year.

Key

- ● Attended meeting
- ● Not due to attend

Biographies of the Directors can be found on **page 51**

The Board controls the Group by delegating day-to-day responsibility to the executive management and operational Directors. Certain matters are specifically reserved for decision only by the Board of Directors. These matters were reviewed and amended as considered appropriate during the year and fall under the general headings of: strategy and management; structure and capital; financial reporting; internal controls; contracts; shareholder communication; Board membership; executive remuneration; delegation of authority; corporate governance matters; and Group policies.

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

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

Board Committees

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

Audit and Risk Committee

The Audit and Risk Committee comprises all Non-Executive Directors and is chaired by Charles St John. The Committee's primary responsibilities include monitoring internal controls, reviewing the key risks of the organisation, ensuring that the financial performance of the Group is properly measured and reported, and overseeing the relationship with the Group's auditor.

The Audit and Risk Committee met on three occasions during the year. Further details on the work and responsibilities of the Audit and Risk Committee are shown on pages 55 to 57.

Nomination Committee

The Nomination Committee comprises all Non-Executive Directors and is chaired by Frank Nelson. The Committee's primary responsibilities include assessing the size, structure and composition of the Board, succession planning for Directors and other senior executives, and identifying and nominating candidates to fill Board vacancies, together with leading the process for such appointments.

One Committee meeting was held during the year. The Committee comprises all members of the main Board and duties of the Committee in respect of evaluation of the composition of the Board and succession planning for Directors and other senior executives have been fulfilled by discussion at Board meetings. Further details on the work and responsibilities of the Nomination Committee are shown on page 58.

Remuneration Committee

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

The Committee met on four occasions during the year. The Remuneration Committee report is set out on pages 59 and 60.

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 all Board members.

Risk management and internal control

The risk management framework is presented on pages 40 and 41 and sets out how the Board identifies, assesses and takes mitigating action to manage risk.

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

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

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

Corporate governance statement continued

Going concern basis

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

A detailed forecast has been prepared for the period to 31 July 2024 which demonstrates healthy cash flow and liquidity headroom across the period to 31 July 2024. Reverse stress testing has been carried out and the Board is satisfied that the scenarios in which the level of trading is such that the Group experiences a cash outflow of such a level that further debt facilities would be required are remote.

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

Forward-looking statements

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

Shareholder relationships

The CEO and CFO are the key contacts for shareholders on any matters relating to the Group, its governance and investor relations. There is a programme of scheduled meetings with institutional investors, certain private shareholders and analysts, following full and half year results announcements. Presentations are also hosted through the digital platform Investor Meet Company, which allows all shareholders or other interested parties to attend. These meetings provide the CEO and CFO the opportunity to update shareholders on the Group's performance and future strategy.

Additionally, the Chair and Non-Executive Directors make themselves available to meet with shareholders as necessary.

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

Details of the Group's corporate governance policies can be found at https://van-elle.co.uk/corporate-governance/.

Approval

The Board approved the corporate governance report on 25 July 2023.

By order of the Board

Graeme Campbell
Company Secretary
25 July 2023

Audit and Risk Committee report

CHARLES ST JOHN
Chair of the Audit and Risk Committee

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

* Attended by invitation.

Key

- ● Attended meeting
- ○ Not due to attend

Biographies of the Directors can be found on **page 51**

Activities during the year

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

Financial statements and reports:

- Reviewed the interim results announcement, preliminary final results announcement and the annual report and accounts
- Reviewed reports from the external auditor
- Reviewed management representation letters, going concern reviews and significant areas of accounting estimates and judgements (including provisions for impairment of trade receivables and contract assets, provisions for insurance claims, exceptional and non-underlying items and the carrying value of intangible assets)
- Considered the output of a third-party review on revenue recognition ahead of interim results announcement
- Reported to the Board on the appropriateness of accounting policies and practices

Risk management:

- Reviewed the risk register, which identifies the Group's key risk areas, the probability of these risks occurring and the impact they would have on the Group. Mitigating actions and internal controls are assigned to each risk, with an internal assessment of the residual risk to which the Group is exposed
- Approved a schedule of controls review and testing and reviewed the outputs of controls reviews performed by management
- Ensured that updates to the Group's main governance policies were submitted and approved by the Board

External audit and non-audit work:

- Agreed the terms of engagement and fees to be paid to the external auditor
- Reviewed and agreed the scope and methodology of the audit work to be undertaken by the external auditor
- Reviewed the relationship with the external auditor including its independence, objectivity and effectiveness
- Reviewed non-audit fees paid to the external auditor
- Reviewed proposals for audit services from several audit firms following a recommendation in the previous year to undertake a tender for audit services

Compliance:

- Met with the external auditor without executive management being present

Dear Shareholder,

I am pleased to present the report on the activities of the Audit and Risk Committee for the year. The report provides details of the key matters considered by the Committee, and an explanation of how the Committee has obtained assurance on the integrity of the annual report.

Role 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:

- Assessing and advising the Board on the internal financial, operational and compliance controls
- Monitoring and reviewing the Group's accounting policies and significant accounting judgements
- Reviewing the annual and interim financial statements and any public financial announcements and advising the Board on whether the annual report and accounts are fair, balanced and understandable
- Monitoring and reviewing the adequacy and effectiveness of the risk management systems and processes
- Overseeing the Group's procedures for its employees to raise concerns through its whistleblowing policy

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

- Approving the appointment of the external auditor, including the 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; and monitoring and reviewing the effectiveness of the external auditor

Membership and attendance

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

Accordingly, the Committee comprises all Non-Executive Directors, with the Chair, as a Chartered Accountant, having recent and relevant financial and accounting experience. Committee meetings are also attended by the Chief Executive Officer and Chief Financial Officer by invitation. The external auditor is invited to attend certain meetings to report to the Committee, primarily on the planning and outcome of the audit. The Company Secretary acts as Secretary to the Committee.

Other members of management may be invited to attend meetings depending on the matters under discussion. The Committee Chair meets periodically with the external auditor with no members of management present. The Committee held three meetings during the reporting period.

External audit

The Committee 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 external auditor is permitted to provide non-audit services that are not, and are not perceived to be, in conflict with auditor independence, providing it has the skill, competence and integrity to carry out the work and it is the most appropriate adviser to undertake such work in the best interests of the Group. All assignments are monitored by the Committee. Details of services provided by, and fees payable to, the auditor are shown in note 9 of the consolidated financial statements. Rotation of the audit partner took place in the prior year.

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

In the previous annual report, the Audit and Risk Committee recommended that an audit tender process be undertaken. During the year, several firms were approached and invited to submit proposals for external audit services. The Committee reviewed all proposals and concluded that it was in the best interests of the Company not to run a formal audit tender process. The Committee also remains satisfied that the services provided by BDO LLP are appropriate and comparable to other audit firms' pricing. However, given that BDO has been the Company's external auditor for 12 years, the provision of external audit services will be kept under close review over the coming reporting periods.

Internal audit

The Group does not have a formal internal audit function. During the year the finance team has performed targeted reviews and visits to operations as well as high-level reviews of key finance processes and controls. The results of these reviews were communicated to the Committee. A schedule of detailed controls reviews and operating effectiveness testing has been established based on the output of the key finance process and controls reviews. This schedule of testing has been prioritised based on risk.

The Committee also commissioned an independent review of contract revenue recognition ahead of the interim results announcement to provide additional assurance over reported contract positions in H1.

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 review.

Internal controls and risk management

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

The Group has a robust risk management process that follows a sequence of risk identification, assessment of probability and impact, and assigns an owner to manage mitigation activities. The Group risk register and the methodology applied were the subject of review by senior management and updated to reflect new and developing areas that 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 40 to 43.

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
- Established policies and procedures setting out expected standards of integrity and ethical standards, which reinforce the need for all employees to adhere to all legal and regulatory requirements

Significant accounting matters

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

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

- Revenue recognition – the Group's policy on revenue recognition, detailed in note 2 to the consolidated financial statements, is in accordance with IFRS 15. The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusions
- The carrying value of trade receivables and contract assets – the Group holds material trade receivable balances and contract asset balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. The Group has purchased trade credit insurance in the year, which provides additional protection against the risk of bad debts. The Committee has reviewed the current year provisions (including the application of IFRS 9) against trade receivables and contract asset balances and is satisfied with management's conclusions that the provisioning levels are appropriate
- Provisions for legal and other claims – the Group holds material provisions in respect of legal and other claims. The Group carries insurance and any reimbursements, where material and virtually certain, are treated as separate assets. The calculations of the provisions contain management estimates and judgement on the likely outcome of the claims. The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusions
- The carrying value of intangible items – the carrying value of goodwill has been tested for impairment. This testing includes sensitivities of future forecast performance, discount rates used and other key assumptions. The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusion that no impairment is required.

Going concern

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

A detailed forecast has been prepared for the period to 31 July 2024 which demonstrates healthy cash flow and liquidity headroom across the period to 31 July 2024. Reverse stress testing has been carried out and the Board is satisfied that the scenarios in which the level of trading is such that, the Group experiences a cash outflow of such a level that further debt facilities would be required are remote.

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

Charles St John
Chair of the Audit and Risk Committee
25 July 2023

Nomination Committee report

FRANK NELSON
Chair of the Nomination Committee

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

* Attended by invitation.

Key
- ● Attended meeting
- ○ Not due to attend

Biographies of the Directors can be found on **page 51**

Activities during the year

The following matters were considered during the year:

- Reviewed the Committee's terms of reference;
- Evaluated the balance of skills, experience, independence, diversity and knowledge on the Board
- Commenced a process to review Board performance during the next financial year
- Succession planning for the Executive Directors and the senior management team
- Reviewed requirements for the re-election of Directors at the Annual General Meeting
- Reviewed the Committee's report in the annual report and accounts and recommended approval to the Board

Dear Shareholder,

On behalf of the Nomination Committee, I am pleased to present our report for the financial year ended 30 April 2023.

Role and responsibilities

The key responsibilities of the Committee are:

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

Membership and attendance

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

The Board composition has remained unchanged since July 2020, which has provided a good level of stability for the Company. One Committee meeting was held during the year. The duties of the Committee in respect of evaluation of the composition of the Board and succession planning for Directors and other senior executives have been fulfilled by discussion at Board meetings. The Committee comprises all members of the main Board.

Election of Directors

On the recommendation of the Committee and in line with the Company's Articles of Association, Directors stand for re-election at the Annual General Meeting. 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.

Corporate governance

The Committee's terms of reference are available on the Group's website (www.van-elle.co.uk). The terms of reference were reviewed during the year, with no changes to report.

Frank Nelson
Chair of the Nomination Committee
25 July 2023

Remuneration Committee report

DAVID HURCOMB
Chair of the Remuneration Committee

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

* Attended by invitation.

Key

- ● Attended meeting
- ○ Not due to attend

Biographies of the Directors can be found on **page 51**

Activities during the year

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

- Reviewed and approved Executive Director and senior management team salaries, including inflationary pay increases processed in January 2023
- Reviewed and approved payments to Executive Directors and senior management under the FY2022 Annual Bonus Plan
- Reviewed and approved the parameters of the FY2023 Annual Bonus Plan, including performance measures and targets for the Executive Directors and senior management team
- Reviewed and approved the launch of the Company's Save-As-You-Earn scheme following the expiry of the previous scheme during the year
- Commissioned a report by an external expert on the Group's long-term incentive policies, including benchmarking against companies of comparable size and advising on best practices

Dear Shareholder,

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

Role and responsibilities

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

The Committee's main responsibilities are:

- Establishing and maintaining formal and transparent procedures for developing the policy on executive remuneration, fixing the remuneration packages of individual Directors, and monitoring and reporting on them
- Determining the remuneration of the Executive Directors
- Monitoring and making recommendations in respect of remuneration for senior management who report directly to the Chief Executive Officer
- Approving the targets and level of awards for any long-term incentive arrangements
- Determining the level of fees for the Chair of the Board
- Selecting and appointing external advisers to the Committee

Membership and attendance

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

The Committee plans to meet formally at least twice a year and at such other times as necessary. The Committee met four times during the year.

Annual bonus scheme outcomes

The Group delivered a significantly improved financial performance in FY2022, with revenue increasing by 48% to £124.9m and operating profit increasing to £3.6m compared to an operating loss of £0.8m in FY2021. This performance reflected an upgrade on market consensus during the year. The Committee approved the payment of annual bonuses in line with the scheme rules. Executive Director bonuses were paid in September 2022.

In FY2023, the performance improved further with revenue increasing to £148.7m and operating profit increasing to £5.8m, which included an upgrade on market consensus during the year. The Committee approved the payment of annual bonuses in line with the scheme rules, with all bonuses expected to be paid in August 2023.

2023 salary review

The Group has been impacted by high wage inflation over the year, particularly with the increased demand for labour from HS2. The Committee has considered the impacts of high inflation and cost of living challenges in the UK and, accordingly, has responded with several initiatives to mitigate these impacts across the workforce.

Average salary increases of approximately 9% were awarded during the year, including the annual pay increase on 1 January 2023, with higher pay increases being awarded to lower paid employees.

All Executive and Non-Executive Directors were awarded salary increases of 4% on 1 January 2023.

Long-term incentives

The LTIP awards granted in August 2019 lapsed in August 2022 as both the EPS and TSR performance conditions were not met. The CSOP awards granted in August 2019 vested in August 2022; however, to date, no options have been exercised.

In January 2023, the Committee commissioned a report by an external expert on the Group's long-term incentive policies, including benchmarking against companies of comparable size and advising on best practices. The report advised that the Group's approach to long-term incentives is broadly consistent with similar-sized organisations and uses consistent measures of performance, which are aligned to the Company's strategic objectives.

No LTIP scheme was issued during the year. Based on the report recommendations, the Committee expects to issue LTIPs on an annual basis with participants being approved by the Committee for each issue.

SAYE launch

Following the expiry of the Group's 2019 Save-As-You-Earn ("SAYE") scheme, the Committee approved the launch of a new three-year scheme, commencing on 1 April 2023. 103 employees subscribed for shares under the 2023 Save-As-You-Earn scheme, resulting in 2,012,999 share options being granted.

Remuneration report

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

David Hurcomb
Chair of the Remuneration Committee
25 July 2023

Directors' remuneration policy

Introduction

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

Principles adopted

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

- Remuneration structures should be appropriate to the specific business, efficient and cost effective in delivery
- Complexity is discouraged in favour of simple and understandable remuneration structures
- Remuneration structures should seek to align executive and shareholder interests including through a meaningful level of personal shareholding
- Remuneration structures should promote long-term focus through features such as deferral and measuring performance over the long term
- Structures should include performance adjustments (malus) and/or clawback provisions
- Pay should be aligned to long-term sustainable success and the desired corporate culture throughout the organisation
- 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 performance measures used in the annual conditional share awards include total shareholder return and return on capital employed targets. The annual bonus scheme performance measures are profit before tax, year-end cash and cash equivalents and performance against personal objectives.

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

Differences in remuneration policy for all employees

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

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

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

Statement of consideration of employment conditions elsewhere in the Group

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

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

Future policy table

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

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Base salary			
To recognise status and responsibility to deliver strategy.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are reviewed annually, and any changes are effective from 1 January in the financial year.	Increases only for inflation and in line with other employees unless there is a change in role or responsibility, or alignment required to market levels.	None.
Benefits			
To provide benefits consistent with the role.	The Company pays the cost of providing the benefits monthly or as required for one-off events such as receiving financial advice.	Cost of independent financial advice, car allowance and medical insurance and other benefits from time to time.	None.
Annual bonus			
To ensure a market-competitive package and link total cash reward to achievement of Company business objectives.	Annual bonuses are paid following sign off of the financial statements for the year end to which they relate. A clawback facility will apply under which part or all of the cash and deferred bonus can be recovered if there is a restatement of the financial accounts or the individual is terminated for misconduct.	Maximum bonus potential: 100% of salary for the CEO and 80% for the CFO. Maximum bonus potential for Executive Directors is between 30% and 50%. There is no minimum payment at threshold performance.	Reported profit before tax. Performance is measured over the financial year. The Committee has discretion to vary the weighting of these metrics over the life of this remuneration policy.
Pension			
To provide funding for retirement.	Defined contribution scheme. Monthly contributions.	3%–10% of salary.	None.
Long Term Incentive Plan ("LTIP")			
To augment shareholder alignment by providing Executive Directors with longer-term interests in shares.	Annual grants of conditional share awards based on the achievement of return on capital employed and total shareholder return targets. A clawback facility is in operation under which parts or the whole of the LTIP award can be recovered if there is a restatement of the financial statements or the individual is dismissed for cause.	Maximum grant permitted is 100% of salary. Grant size is determined by reference to achievement of set targets (50% based on TSR and 50% based on ROCE). Vesting is dependent on service and performance conditions. 25% vests at threshold performance.	Service and performance conditions must be met over a three-year period. **Example – 2021 LTIP plan:** **TSR** 25% vesting if TSR ranked at median within comparator group. 100% vesting if TSR ranked in upper quartile. **ROCE:** 25% vesting if ROCE in FY2024 exceeds 15%. 50% vesting if ROCE in FY2024 exceeds 17%. 100% vesting if ROCE in FY2024 exceeds 20%. The Committee has discretion to vary the weighting of performance metrics over the life of this remuneration policy.

Approach to recruitment remuneration

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

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

Where it is necessary to "buy out" an individual's awards from a previous employer, the Committee will seek to match the expected value of the awards by granting awards that vest over a time frame 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-rata for time and paid at the normal payment date.

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

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

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

Service agreements and letters of appointment

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

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

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

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

Non-Executive Directors' fees policy

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

Consideration of shareholder views

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

Annual report on remuneration

Single total figure of remuneration

The table below sets out the total remuneration for the Directors in the year ended 30 April 2023, with comparative figures for the year ended 30 April 2022.

	Salary/fees £'000	Benefits £'000	LTIP £'000	Pension £'000	Bonus £'000	**2023 Total £'000**	2022 Total £'000
Executive Directors							
Mark Cutler	309	47	—	—	163	**519**	539
Graeme Campbell	176	12	—	9	74	**271**	281
Non-Executive Directors							
Charles St John	48	—	—	—	—	**48**	46
David Hurcomb	48	—	—	—	—	**48**	46
Frank Nelson	101	—	—	—	—	**101**	97
Aggregate emoluments	682	59	—	9	237	**987**	1,009

Benefits comprise the provision of car allowance, payment in lieu of pension 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. An LTIP award reached the end of its vesting period on 16 August 2022; however, the options lapsed as the performance criteria were not met. As a result, this column has a zero figure.

Bonus payments reflect estimated bonus outcomes for 2023 (detailed below) with final bonus payments subject to Remuneration Committee approval following issue of the FY2023 annual report.

Annual Bonus Plan

Bonuses are earned by reference to the financial year and paid in August following the end of the financial year. The 2023 annual bonus was based 80% on the achievement of stretching profitability and cash targets and 20% on individual objectives aligned to the delivery of key strategic and operational priorities. The targets and estimated bonus outcomes for 2023 for each Executive Director are set out below. Final bonus payments are subject to Remuneration Committee approval following issue of the FY2023 annual report.

	2023 measurement ranges and outcome				**Bonus as % of salary**			
	Threshold	Target	Maximum	Performance outcome	Mark Cutler		Graeme Campbell	
Measures	0%	40%	100%		Maximum	Outcome	Maximum	Outcome
Group profit before tax	£4.25m	£5.0m	£6.5m	£5.4m	80%	42%	64%	34%
Year-end cash and cash equivalents	£7.0m	£7.0m	£7.0m	£8.9m				
Total Group measures					**80%**	**42%**	**64%**	**34%**
Individual objectives					20%	12%	16%	10%
Total bonus					**100%**	**54%**	**80%**	**44%**
Base salary*						305,000		173,250
Bonus based on performance outcomes						**163,000**		**74,000**

* Base salary is the base salary as at 30 April 2022.

Aggregate Directors' emoluments

	2023 £'000	2022 £'000
Salaries	**682**	649
Taxable benefits	**59**	26
Pension allowances	**9**	37
Bonus	**237**	297
Subtotal	**987**	1,009
Employer's NI	**144**	133
Total	**1,131**	1,142

Payments for loss of office

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

Payments to past Directors

There were no payments to past Directors in the year.

Share awards granted during the year

No conditional share awards were granted during the financial year.

The Executive Directors were granted a conditional share award in the previous financial year on 27 September 2021, details of which are shown below:

Director	Scheme	Basis of award	Face value £'000	% vesting at threshold	Number of shares	Vesting date
Mark Cutler	LTIP	100% of salary	300	25	587,628	27/09/24
Graeme Campbell	LTIP	100% of salary	174	25	340,206	27/09/24

The face value of the awards is calculated using the share price at the date of grant, 27 September 2021, at £0.510 per share. The performance conditions in respect of the awards granted in the year ended 30 April 2022 are shown below:

Performance measure	Weighting	Target 25% vesting	Maximum 100% vesting
Total shareholder return ranking*	50%	Median, ranked 8th or higher	Upper quartile, ranked 4th or higher
Return on capital employed in FY2024	50%	15%	20%

* Measured against a comparator group of 12 companies (i.e. 13 including Van Elle Holdings plc).

Statement of Directors' shareholdings and share interests

We believe that Executive Directors should have shareholdings in the Company to ensure that they are as closely aligned as possible with shareholder interests. Those Directors serving at the end of the year and their immediate families had interests in the share capital of the Company at 30 April 2023 as follows:

	Ordinary shares held at 30 April 2023	Options held at 30 April 2023
Executive Directors		
Mark Cutler	**752,767**	**1,390,444**
Graeme Campbell	**50,000**	**804,994**
Non-Executive Directors		
Charles St John	**100,000**	**—**
David Hurcomb	**65,000**	**—**
Frank Nelson	**140,000**	**—**

Statement of implementation of remuneration policy – year to 30 April 2023

The fees for the financial year for Non-Executive Directors David Hurcomb, Charles St John and Frank Nelson are £48,000, £48,000 and £101,000, 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 25 July 2023 and signed on its behalf by the Remuneration Committee Chair.

David Hurcomb
Chair of the Remuneration Committee
25 July 2023

Directors' report

Introduction

The Directors present their annual report and the Group audited financial statements for the year ended 30 April 2023. The strategic report on pages 1 to 46, the corporate governance report on pages 52 to 54 and certain notes to the financial statements are also incorporated into this report by reference.

Business review and future developments

A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is given in the strategic report on pages 1 to 46.

Results and dividend

The Group's result for the year is shown in the consolidated statement of comprehensive income on page 75.

An interim dividend of 0.4p per share was paid to shareholders on 17 March 2023. The Board is recommending a final dividend of 0.8p for the year ended 30 April 2023. If approved at the Annual General Meeting on 21 September 2023, the final dividend is payable on 13 October 2023 to shareholders registered on 29 September 2023. The shares will be marked ex-dividend on 28 September 2023.

Financial risk management

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

Directors

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

- M. Cutler
- D. Hurcomb
- G. Campbell
- C. St John
- F. Nelson

The biographies of the Directors are detailed on page 51. Their interests in the ordinary shares of the Company are shown in the Directors' remuneration report on page 64. In addition to the interests in ordinary shares, the Group operates a performance share plan ("LTIP") for senior executives, under which certain Directors have been granted conditional share awards. Details of the share options granted are detailed in the Directors' remuneration report on pages 64 and 65.

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 sustainable responsible business section on pages 26 to 36.

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 2022, the issued share capital of the Company was 106,666,650 ordinary shares of 2p each. Details of the share capital as at 30 April 2023 are shown in note 28 of the consolidated financial statements.

The market price of the Company's shares at the end of the financial year was £0.435 and the range of market prices during the year was between £0.343 and £0.545.

Substantial shareholdings

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

Name of holder	Total holding of shares	% of total voting rights
Ruffer LLP	20,715,000	19.42
Otus Capital Management	20,462,441	19.18
Premier Miton Investors	11,084,782	10.39
Close Brothers Assets Management	6,447,374	6.04
NR Holdings	6,009,999	5.63
Harwood Capital	5,880,000	5.51
Janus Henderson Investors	4,288,000	3.96

Corporate governance

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

Going concern

The statement regarding going concern is set out in note 2 to the consolidated financial statements on page 79.

Disclosure of information to the auditor

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

Independent auditor

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

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

Graeme Campbell
Company Secretary
25 July 2023

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

Company number: 04720018

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and subject to any material departures disclosed and explained in the financial statements
- 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 UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

Graeme Campbell
Company Secretary
25 July 2023

Independent auditor’s report

To the members of Van Elle Holdings plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 April 2023 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Van Elle Holdings Plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 30 April 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the Parent Company statement of financial position, the Parent Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- We assessed the trading and cash flow budgets and forecasts approved by the Directors, which cover the period to 31 July 2024. This included challenging the key estimates and judgements and the evidence underpinning them. In doing so, we specifically considered the principal trading and cash flow assumptions, and challenged the Directors on revenue forecasts, margins, and the levels of capital expenditure required to support the forecast levels of activity and corroborated these to post year end trading results, order book and the pipeline of potential future orders. We also challenged judgements taken on legal cash flows and earnout payment calculations.
- We assessed the sensitivities undertaken against the level of available cash and contracted funding facilities.
- We considered the results of the reverse stress test undertaken by the Directors and assessed the reasonableness of the Directors’ assessment that the scenario that could result in the Group facing a cash shortfall was remote in light of the historic trading results.
- We considered the risks in the Groups risk register and their relevance to forecasts, including observations on supply chain challenges faced in the prior year and the risk that these could recur.
- We also reviewed the going concern disclosures in the note to the financial statements to assess whether it is in accordance with relevant accounting framework requirements and provides meaningful and transparent information for the users of the financial statements.

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

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

Overview

Coverage	100% (2022: 100%) of Group profit before tax 100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group total assets		
Key audit matters		2023	2022
	Recognition of revenue and attributable profits (or losses) on contracts.	✓	✓
	The valuation of any legal claims against the Group, the recognition of associated insurance reimbursement assets and residual exposure.	✓	✓
Materiality	**Group financial statements as a whole** £265,000 based on 5% profit before tax (2022: £287,000 based on 8% of profit before tax).		

An overview of the scope of our audit

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

The Group manages its central operations from the head office in Kirkby-in-Ashfield to support its subsidiary's day to day operations with regional offices at various locations throughout the UK. As at 30 April 2023, the Group consisted of the Parent Company, one trading subsidiary in the UK, and three dormant subsidiaries.

On 1 May 2022 ScrewFast Foundations Limited (the other trading subsidiary) was hived up into Van Elle Limited (the trading subsidiary) and its results integrated into the Specialist Piling division. As a result, there is only one trading subsidiary in the Group.

The trading subsidiary, Van Elle Limited, is considered to be the only significant component of the Group. The Group engagement team carried out a full scope audit on this significant component. 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.

The Group engagement team have also undertaken a full scope audit on the Parent Company.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Recognition of revenue and attributable profit (or losses) on contracts: The Group's accounting policy is described in note 2. Refer note 6 to the financial statements.	Revenue is recognised on the stage of completion of individual contracts. Attributable profit (or loss) is calculated after deducting the costs incurred to date. If the contract is expected to be loss making based on forecast costs and contract revenues, forecast losses are recognised immediately as an expense. The extent of revenue and profit (or loss) to recognise on a particular partially completed contract represents an area of significant judgement within the financial statements, which involves an assessment of both current and future contract performance. The potential outcomes for contracts can have an individual or collectively material impact on the financial statements, whether through error or management bias and as such this was considered a significant audit risk and a key audit matter.	We tested the operating effectiveness of controls in the year surrounding the contract authorisation tender process, verification of works performed authorised by third party confirmation and senior management authorisation of adjustments to the financial statements regarding variable consideration and works performed not yet certified. We obtained a breakdown of contracts making up revenue in the year which we reconciled to the revenue reported per financial statements. We selected a sample of contracts from the breakdown and obtained a copy of the contract documentation and undertook the following work to substantiate the recognition of revenue from a review of the performance obligations as follows: ▪ We assessed the position adopted by management at the year-end as compared to quantity surveyor applications or external evidence such as customers' certification of work done. ▪ We held meetings with contract managers and enquired on current progress on open contracts and final account negotiations on completed contracts substantiating explanations to supporting correspondence. For all the contracts which met our risk criterial and presented a potential risk to revenue recognition, we reviewed individual contract assets and trade receivables pertaining to those revenue samples which we considered presented the greatest risk of exposure to recoverability either by size or by age. For samples selected we agreed to either subsequent billing or settlement as relevant. For each material trade receivable or contract asset that had not been tested as part of our contract selection described above, we reviewed post year end correspondence and substantiated to customer certificates and invoices. Where contract assets had not been supported by external certifications we reviewed all other correspondence including support from applications for payment and final account settlements and challenged management's judgement in respect of the recoverability of the amounts recoverable on contracts with reference to our own assessments. **Key observations**: We consider the judgements taken by management in relation to revenue recognition on contracts to be acceptable.

Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of legal claims and recognition of related insurance reimbursement assets and residual exposure: The Group's accounting policy is described in note 2. Refer note 24 to the financial statements	Provisions are recognised in respect of legal claims against the business when in the Directors' judgement it is probable that a liability will arise to settle or defend a claim against the business for work done prior to the year end. To the extent that the Group holds insurance policies to mitigate the losses arising as a result of settling the claims a separate insurance reimbursement asset is recognised if the recovery of such an asset is deemed virtually certain. Forming an estimate for the costs of defending or settling the claims involves a significant uncertainty and assessing that it is appropriate to recognise the associated insurance reimbursement asset or not is a significant judgement. The judgements and estimates involved have an individual or collectively material impact on the financial statements, whether through error or management bias and as such this was considered a significant audit risk and key audit matter.	We obtained a summary of the claims in the year together with the board's assessment of the likely costs of defending or settling the claims. We agreed the summary to the amounts included in the financial statements. We engaged with the legal advisors, engaged by the Group's insurer, to understand the legal basis of the claims and the relevant defence arguments. We considered additional correspondence since our initial assessment in the prior year to identify whether any adjustment to the estimates was required. For material legal provisions we engaged directly with legal claims adviser who have been appointed by the Group's insurance providers and obtained confirmation of the extent of insurance cover in place for relevant claims. For contingent liabilities we engaged directly with the Group's insurance broker and gained evidence of the likelihood of insurance cover. **Key observations:** We consider the process adopted by management in order to estimate the value of the legal claims provision and any related insurance asset to be appropriate.

Our application of materiality

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2023	2022	**2023**	2022
Materiality	£265,000	£287,000	£140,000	£130,000
Basis for determining materiality	5% of profit before tax	8% of profit before tax	2% of total assets	2% of total assets
Rationale for the benchmark applied	Earnings is a key measure of performance of the group and influence of shareholder assessment. We have decreased the percentage applied to profit before tax in the current year to be in line with the industry norm.	Earnings is a key measure of performance of the group and influence of shareholder assessment. Albeit still supressed by the Covid-19 pandemic, the Group returned to a profit making position with performance expected to return to normalised levels going forwards.	Total assets is considered an appropriate benchmark as the main purpose of the Parent Company is to hold the investments in subsidiaries.	
Performance materiality	£172,000	£186,000	£91,000	£84,000
Basis for determining performance materiality	65% of materiality which is considered appropriate to mitigate potential aggregation risk across the various financial statement areas.			
Rationale for the percentage applied for performance materiality	In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements alongside management's approach to adjusting for misstatements with a material impact on the financial statements.			

Our application of materiality continued

Component materiality

Materiality applied to the significant trading component of the Group was calculated at £250,000 (2022: £224,000) based on 95% of Group materiality. In the audit of this component, we further applied performance materiality levels of 65% (2022 – 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £8,000 (2022: £5,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	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.

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

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

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

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

Our procedures in response to the above included:

- We reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries of management and Those Charged with Governance through our review of board minutes.
- We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify any which we considered were indicative of management override. We corroborated such journals to supporting documentation. We also reviewed the consolidation journals and other adjustments made in the preparation of the financial statements to check these were in line with our expectation of journals required on consolidation.
- We reviewed the Group’s accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We considered the appropriateness and application of the revenue and profit recognition policies and estimates as set out in the key audit matters section above.

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

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

A further description of our responsibilities is available on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

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

Greg Watts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
25 July 2023

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

Contents

Financial statements

Consolidated statement of comprehensive income

For the year ended 30 April 2023

	Note	2023 £'000	2022 £'000
Revenue	5	**148,734**	124,915
Cost of sales		**(108,646)**	(90,842)
Gross profit		**40,088**	34,073
Administrative expenses		**(35,089)**	(29,980)
Credit loss impairment charge	19	**(45)**	(159)
Other operating income	7	**904**	438
Operating profit	9	**5,858**	4,372
Finance expense	11	**(487)**	(779)
Profit before tax		**5,371**	3,593
Income tax expense	12	**(693)**	(1,733)
Profit after tax and total comprehensive income for the year attributable to shareholders of the parent		**4,678**	1,860
Earnings per share (pence)			
Basic	14	**4.4**	1.7
Diluted	14	**4.4**	1.7

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

The notes on pages 79 to 104 form part of these financial statements.

Consolidated statement of financial position

As at 30 April 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	15	**41,917**	38,719
Investment property	16	**—**	811
Intangible assets	17	**3,713**	3,847
		45,630	43,377
Current assets			
Inventories	18	**4,971**	3,773
Trade and other receivables	19	**35,544**	34,112
Corporation tax receivable		**—**	322
Cash and cash equivalents		**8,885**	6,987
		49,400	45,194
Total assets		**95,030**	88,571
Current liabilities			
Trade and other payables	20	**23,245**	22,475
Deferred consideration	22	**790**	50
Lease liabilities	21	**2,339**	1,696
Provisions	25	**8,143**	7,738
		34,517	31,959
Non-current liabilities			
Deferred consideration	22	**—**	1,170
Lease liabilities	21	**6,179**	5,157
Deferred tax	27	**4,303**	3,674
		10,482	10,001
Total liabilities		**44,999**	41,960
Net assets		**50,031**	46,611
Equity			
Share capital	28	**2,133**	2,133
Share premium	28	**8,633**	8,633
Other reserve		**5,807**	5,807
Retained earnings		**33,458**	30,038
Total equity		**50,031**	46,611

The financial statements were approved and authorised for issue by the Board of Directors on 25 July 2023 and were signed on its behalf by:

Graeme Campbell
Chief Financial Officer

The notes on pages 79 to 104 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 April 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Operating profit	9	**5,858**	4,372
Depreciation of property, plant and equipment	15	**5,984**	5,282
Amortisation of intangible assets	17	**134**	101
Depreciation of investment property	16	**9**	9
Profit on disposal of property, plant and equipment		**(310)**	(122)
Share-based payment expense	29	**171**	174
Operating cash flows before movement in working capital		**11,846**	9,816
Increase in inventories		**(1,200)**	(750)
(Increase) in trade and other receivables		**(1,434)**	(2,074)
Increase in trade and other payables		**344**	1,280
Increase in provisions		**405**	102
Cash generated from operations		**9,961**	8,374
Income tax received		**323**	—
Net cash generated from operating activities		**10,284**	8,374
Cash flows from investing activities			
Purchases of property, plant and equipment	15	**(6,167)**	(4,946)
Proceeds from disposal of property, plant and equipment		**615**	384
Acquisition of subsidiary, net of cash acquired		**(50)**	—
Purchases of intangibles	17	**—**	(176)
Net cash absorbed in investing activities		**(5,602)**	(4,738)
Cash flows from financing activities			
Proceeds from new hire purchasing finance		**1,544**	—
Proceeds from new borrowings		**3,000**	
Repayment of borrowings		**(3,000)**	(812)
Principal paid on lease liabilities	21	**(2,394)**	(3,637)
Interest paid on lease liabilities		**(388)**	(608)
Interest on borrowings		**(53)**	(110)
Dividends paid		**(1,493)**	—
Net cash absorbed in financing activities		**(2,784)**	(5,167)
Net increase/(decrease) in cash and cash equivalents		**1,898**	(1,531)
Cash and cash equivalents at beginning of year		**6,987**	8,518
Cash and cash equivalents at end of year		**8,885**	6,987

The notes on pages 79 to 104 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 April 2023

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2021	2,133	8,633	5,807	28,004	44,577
Total comprehensive income	—	—	—	1,860	1,860
Share-based payments	—	—	—	174	174
Total changes in equity	—	—	—	2,034	2,034
At 30 April 2022	2,133	8,633	5,807	30,038	46,611
Total comprehensive income	—	—	—	4,678	4,678
Dividends paid	—	—	—	(1,493)	(1,493)
Share-based payments	—	—	—	171	171
Deferred tax credit on share-based payments	—	—	—	64	64
Total changes in equity	—	—	—	3,420	3,420
At 30 April 2023	**2,133**	**8,633**	**5,807**	**33,458**	**50,031**

The notes on pages 79 to 104 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 April 2023

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 2023. A list of subsidiaries and their countries of incorporation is presented in note 6 of the parent company financial statements on page 88.

Van Elle Holdings plc is a public limited company incorporated and domiciled in the UK under the Companies Act 2006 and limited by shares. The principal activity of the Group is a geotechnical contractor offering a wide range of ground engineering techniques and services including site investigation; driven, bored, drilled and augered piling; and ground stabilisation services. The Group also develops, manufactures and installs precast concrete products for use in specialist foundation applications. Further information on the nature of the Group's operations and principal activities is set out in the strategic report on pages 1 to 46.

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

The Group's financial statements were authorised for issue by the Board of Directors on 25 July 2023.

2. Basis of preparation

Basis of accounting

The Group financial statements have been prepared in accordance with UK adopted International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006. The Group financial statements have been prepared on the going concern basis and adopting the historical cost convention.

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

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

Going concern

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

The following factors were considered as relevant:

- Profitable trading performance in the preceding two years and a positive outlook in the Group's markets over the medium to long term
- Net funds position of the Group, which has increased in the year
- Order book, framework agreements and the pipeline of potential future orders
- Available borrowing facilities
- The extent of liabilities from ongoing claims and associated insurance cover

Net funds, excluding IFRS 16 property and vehicle lease liabilities, increased to £7.5m (30 April 2022: £5.9m). The Group's remaining debt finance is £1.3m as at 30 April 2023 and relates to hire purchase agreements, with the majority of the outstanding debt financed on a variable basis, which allows early repayment.

In October 2020, the Group secured up to £11m of asset backed lending facilities on a revolving basis over four years secured against the Group's receivables and certain tangible assets. There are no financial covenants associated with the funding facility. There are operational covenants associated with the facilities, including debtor concentration, dilution and debt turn. Breach of operational covenants impacts the level of availability under the facility rather than representing an instance of default. The Directors are confident that the Company will continue to operate within the operational covenants. These facilities were drawn to the value of £3.0m and repaid during the year. The facilities were undrawn as at 30 April 2023 and remain undrawn to date.

A detailed forecast has been prepared for the period to 31 July 2024. The forecast reflects an assessment of expected performance in each of the Group's markets, including the expected softening of the new-build housing market. The forecast also considers the expected impacts from further cost inflation. The forecast shows a healthy cash flow and liquidity headroom across the period to July 2024.

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

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

2. Basis of preparation continued

Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 May 2022

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

- IFRS 3 Business Combinations
- IFRS 16 Property, Plant and Equipment
- IFRS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual improvements to IFRSs (2018-2020 Cycle): IFRS 1; IFRS 9; Illustrative Examples accompanying IFRS 16; IAS 41

New standards, interpretations and amendments not yet effective

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

- IFRS 17 Insurance contracts including amendments to IFRS 17 (issued on 25 June 2020)
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendment to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information
- Amendment to IFRS 16 Leases: Lease liability in a Sale and Leaseback
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules

3. Significant accounting policies

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

Basis of consolidation

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

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

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

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

Revenue

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

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

General and Specialist Piling

The performance obligations and transaction price are defined within signed contracts between the customer and the Group. Each performance obligation represents a series of distinct items of goods that are substantially the same and that have the same pattern of transfer to the customer. This is classified as a series as each distinct item of goods in the series meets the definition of a performance obligation satisfied over time and the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation as to transfer each item of goods to the customer. Mobilisation (moving the piling rig equipment to the customer site) does not represent a separate performance obligation.

Notes to the consolidated financial statements continued

For the year ended 30 April 2023

3. Significant accounting policies continued

Revenue continued

General and Specialist Piling continued

Mobilisation revenue is included within the transaction price of the related performance obligation and recognised over time. The revenue for each performance obligation is recognised over time because each pile enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time occurs, using the output method. Progress is determined by completed pile logs.

For performance obligations where the customer does not simultaneously receive and consume the benefits (e.g. designs, interpretative reports and testing), the work performed by the Group does not create or enhance an asset that the customer controls. Revenue for these performance obligations is recognised at a point in time (e.g. on delivery of report).

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

Ground Engineering Services

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

Ground Engineering Products

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

Variable consideration

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

Liquidated damages ("LADs")

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

Standing time

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

Adjustments to invoiced variable consideration

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

Trade receivables

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

Contract assets

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

3. Significant accounting policies continued

Variable consideration continued

Contract liabilities

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

Segment reporting

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

Non-underlying items

Such items are those that in the Directors' judgement occur infrequently and do not reflect the underlying performance of the business and therefore need to be disclosed separately. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing non-underlying 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.

Dividends

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

Property, plant and equipment

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

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

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

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

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

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

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

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

3. Significant accounting policies continued

Investment property

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

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

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

Intangible assets

Goodwill

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

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

Computer software

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

Development costs

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

- There is the intention to complete the asset
- There is adequate technical, financial and other resources to complete the asset
- An asset is created that can be used or sold
- It is probable that the asset created will generate future economic benefits
- The development cost of the asset can be measured reliably

Impairment of non-financial assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash inflows – 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.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand. Cash at bank includes reconciling receipts where receipts have been processed before the balance sheet date.

3. Significant accounting policies continued

Financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Retirement benefit cost

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

Leased assets

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions 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.

Contingent liabilities

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated balance sheet. They are however disclosed unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability on the balance sheet

Notes to the consolidated financial statements continued

For the year ended 30 April 2023

3. Significant accounting policies continued

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 that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit
- Investments in subsidiaries and jointly controlled entities where the Group can control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

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

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

Share capital

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

Share-based payments

The Group operates three equity-settled share-based payment plans, details of which can be found in note 29 to the consolidated financial statements.

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

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

Contingent consideration

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

4. Critical accounting estimates and judgements

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

Critical accounting judgements

Contracts

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

Insurance cover for legal and other claims against the Group

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

Leased assets

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

4. Critical accounting estimates and judgements continued

Critical accounting judgements continued

Development costs

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

Sources of estimation uncertainty

Contracts

The key estimates in the recognition of contract revenue include the estimate of the recoverable value of work carried out at the balance sheet date shown under contract assets and the outcome of claims raised against the Group by customers or third parties. The estimate is formed based on confirmation of work done at the year end by customers and by its nature changes in the estimate would have a £ for £ consequential impact on the level of revenue and profit recognised. As at 30 April 2023, the Group has recognised estimated recoveries of £4,913,000 (2022: £2,163,000) from customers for the work carried out to the year-end date. These recoveries are recognised to the extent considered highly probable; however, there is a range of factors affecting potential outcomes as these contracts are completed. The level of management estimation uncertainty is reduced by the certification of work received from customers, approved applications for payment and in-house expert opinion.

In addition, the Group recognises impairment provisions in respect of bad and doubtful trade debtors. The estimates necessary to calculate these provisions are based on historical experience adjusted for estimates of known changes in credit risk based on facts and circumstances at the year-end date. The simplified approach for calculating impairment of financial assets has been used. Lifetime expected credit losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes and further details are provided in note 19. Changing these estimates by 25% will not materially change the level of impairment provision recognised.

Goodwill

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

Growth rates are estimated with reference to the Board-approved budget for the year ending 30 April 2024 and forecast cash flow projections for the years ending 30 April 2025 and 30 April 2026. Subsequent growth rates are estimated with reference to CPI inflation expectations.

The rate used to discount the projected cash flows is a pre-tax risk-adjusted discount rate estimated based on the weighted average cost of capital of a basket of comparable companies plus a risk premium to reflect the size of the Group in comparison to the basket of comparable companies.

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

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

Leased assets

In the application of the leasing standard, IFRS 16, a right-of-use asset and lease liability are recognised based on the discounted payments required under the lease. The discount of future lease payments requires an estimate of the effective interest rate. The estimate of the effective interest rate is based on the Group's incremental borrowing rate on similar assets.

Legal and other claims against the Group

In common with other companies in the sector, the Group is involved in matters that give rise to claims from customers. The Board assesses each claim, based on the facts and circumstances relating to each claim and with reference to internal and external expert advice, and recognises a provision for costs of defending and concluding such claims. By their nature, changes in the estimate would have a £ for £ impact on the level of the provision recognised. Where there is significant uncertainty of the amount and timing of a possible obligation, a contingent liability is disclosed however is not recognised in the consolidated balance sheet.

Contingent consideration

Contingent consideration is based on performance in the post-acquisition period up to 31 May 2023. The calculation of the consideration payable is based on forecasts of future performance. Estimated future performance is based on the current order book and pipeline of work.

5. Segment information

The Group evaluates segmental performance based on profit or loss from operations calculated in accordance with IFRS but excluding non-recurring items. 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. 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 25. All turnover and operations are based in the UK.

Operating segments – 30 April 2023

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Revenue	54,838	46,593	47,067	236	148,734
Other operating income	—	—	—	904	904
Operating profit/(loss)	3,403	2,236	3,642	(3,423)	5,858
Finance expense	—	—	—	(487)	(487)
Profit/(loss) before tax	3,403	2,236	3,642	(3,910)	5,371
Assets					
Property, plant and equipment	9,090	14,411	8,005	10,411	41,917
Intangible assets	11	3,483	219	—	3,713
Inventories	1,858	727	1,902	484	4,971
Reportable segment assets	10,959	18,621	10,126	10,895	50,601
Investment property	—	—	—	—	—
Trade and other receivables	—	—	—	35,544	35,544
Cash and cash equivalents	—	—	—	8,885	8,885
Total assets	10,959	18,621	10,126	55,324	95,030
Liabilities					
Trade and other payables	—	—	—	23,245	23,245
Provisions	—	—	—	8,143	8,143
Deferred consideration	—	—	—	790	790
Lease liabilities	—	—	—	8,518	8,518
Deferred tax	—	—	—	4,303	4,303
Total liabilities	—	—	—	44,999	44,999
Other information					
Capital expenditure (including IFRS 16 leased assets)	1,171	4,188	1,351	1,977	8,687
Depreciation (including IFRS 16 leased assets)	1,422	2,262	1,421	879	5,984

5. Segment information continued

Operating segments – 30 April 2022

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Revenue	38,974	45,771	40,043	127	124,915
Other operating income	—	—	—	438	438
Operating profit/(loss)	1,804	2,998	2,115	(2,545)	4,372
Finance expense	—	—	—	(779)	(779)
Profit/(loss) before tax	1,804	2,998	2,115	(3,324)	3,593
Assets					
Property, plant and equipment	9,341	12,589	8,145	8,644	38,719
Intangible assets	18	3,594	233	2	3,847
Inventories	1,251	1,163	1,320	39	3,773
Reportable segment assets	10,610	17,346	9,698	8,685	46,339
Investment property	—	—	—	811	811
Trade and other receivables	—	—	—	34,434	34,434
Cash and cash equivalents	—	—	—	6,987	6,987
Total assets	10,610	17,346	9,698	50,917	88,571
Liabilities					
Trade and other payables	—	—	—	22,475	22,475
Provisions	—	—	—	7,737	7,737
Deferred consideration	—	—	—	1,220	1,220
Lease liabilities	—	—	—	6,854	6,854
Deferred tax	—	—	—	3,674	3,674
Total liabilities	—	—	—	41,960	41,960
Other information					
Capital expenditure (including IFRS 16 leased assets)	2,097	2,462	1,207	254	6,020
Depreciation (including IFRS 16 leased assets)	1,166	1,907	1,296	913	5,282

The Group has one customer with revenues greater than 10% in the current year (2022: none). Total revenues from the customer were £18.4m and these are reported within the General Piling operating segment. All revenue is generated in the UK.

6. Revenue from contracts with customers

Disaggregation of revenue – 30 April 2023

End market	**General Piling £'000**	**Specialist Piling £'000**	**Ground Engineering Services £'000**	**Head office £'000**	**Total £'000**
Residential	**13,924**	**4,840**	**38,096**	**—**	**56,860**
Infrastructure	**20,761**	**37,180**	**4,651**	**—**	**62,592**
Regional construction	**20,147**	**4,507**	**4,289**	**—**	**28,943**
Other	**6**	**66**	**31**	**236**	**339**
Total	**54,838**	**46,593**	**47,067**	**236**	**148,734**

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

6. Revenue from contracts with customers continued

Disaggregation of revenue – 30 April 2022

End market	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Residential	13,569	6,346	33,392	—	53,307
Infrastructure	5,224	34,333	3,821	—	43,378
Regional construction	20,177	4,872	2,830	—	27,879
Other	4	220	—	127	351
Total	38,974	45,771	40,043	127	124,915

Contract assets

	2023 £'000	2022 £'000
At 1 May	**2,163**	1,651
Transfers from contract assets to trade receivables	**(1,943)**	(1,651)
Excess of revenue recognised over invoiced amount	**4,913**	2,163
Impairment of contract assets	**(220)**	—
At 30 April	**4,913**	2,163

Contract liabilities

	2023 £'000	2022 £'000
At 1 May	**388**	284
Interest on contract liabilities	**—**	—
Contract liabilities recognised as revenue in the period	**(188)**	(84)
Deposits received in advance of performance	**1,787**	188
At 30 April	**1,987**	388

7. Other operating income

	2023 £'000	2022 £'000
Research and development expenditure credit relating to prior years	**479**	208
Research and development expenditure credit relating to current year	**425**	300
Settlement of litigation	**—**	(70)
	904	438

The research and development expenditure credit relating to prior years relates to the final value of the claim for the year ended 30 April 2022 in excess of the estimate made by management in the previous financial year. The research and development expenditure credit relating to the current year is based on the management estimate of the claim relating to the year ended 30 April 2023.

The charge of £70,000 in the previous financial year for settlement of litigation relates to a provision for income recognised in previous financial years, the recovery of which is now uncertain.

8. Non-underlying items

	2023 £'000	2022 £'000
Deferred consideration	**(427)**	(362)
Warranty provision charge	**350**	350
Non-underlying credit	**(77)**	(12)

The Group's current year non-underlying items are detailed in notes 22 (deferred consideration) and 25 (provisions). These non-underlying items have been recognised within administration costs.

9. Operating profit

Operating profit is stated after charging/(crediting):

	2023 £'000	2022 £'000
Depreciation of property, plant and equipment	**5,984**	5,282
Amortisation of intangible assets	**134**	101
Depreciation of investment property	**9**	9
Lease expense:		
– Plant and machinery on short-term hire	**7,853**	5,563
Profit on disposal of property, plant and equipment	**(310)**	(123)
Fees payable to the Company's auditor for the audit of the Company financial statements	**20**	15
Fees payable to the Company's auditor for other services:		
– Audit of financial statements of subsidiaries pursuant to legislation	**122**	100
– Taxation compliance	**15**	22
– Non-audit services	**23**	—

10. Staff costs

Staff costs, including Directors, are outlined below. Further details of Directors' remuneration, including details of the highest paid Director, share options, long-term incentive plans and Directors' pension entitlements, are disclosed in the annual report on remuneration on pages 64 and 65.

	2023 £'000	2022 £'000
Employee benefit expenses (including Directors):		
Wages and salaries	**35,887**	31,838
Social security contributions and similar taxes	**4,102**	3,487
Defined contribution pension cost	**1,062**	961
Share-based payments (note 29)	**171**	174
	41,222	36,460
Directors and key management personnel:		
Wages and salaries	**2,202**	1,652
Defined contribution pension cost	**70**	80
Share-based payments (note 29)	**59**	92
	2,331	1,824

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

Details of the highest paid Director are included in the annual report on remuneration on page 64.

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

	2023 Number	2022 Number
Administrative	**259**	201
Operative	**389**	400
	648	601

Notes to the consolidated financial statements continued

For the year ended 30 April 2023

11. Finance expense

	2023 £'000	2022 £'000
Finance expense		
Finance leases	**388**	608
Unwinding of discount on deferred consideration	**47**	61
Interest on borrowings	**52**	110
	487	779

12. Income tax expense

	2023 £'000	2022 £'000
Current tax credit		
Current tax on profit/(loss) for the year	**—**	—
Adjustment for over provision in the prior period	**—**	(238)
Total current tax credit	**—**	(238)
Deferred tax expense		
Origination and reversal of temporary differences	**1,176**	842
Adjustment for over provision in the prior period	**(483)**	396
Effect of decreased tax rate on opening balance	**—**	733
Total deferred tax expense	**693**	1,971
Income tax expense	**693**	1,733

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

	2023 £'000	2022 £'000
Profit before income taxes	**5,371**	3,593
Tax using the standard corporation tax rate of 19.5% (2022: 19%)	**1,047**	683
Adjustments for over provision in previous periods	**(483)**	159
Expenses not deductible for tax purposes	**130**	104
Income not taxable	**(83)**	(40)
Tax rate changes	**259**	1,072
Previously unrecognised tax losses used to reduce current tax expense	**—**	(30)
Capital allowances super deductions	**(177)**	(215)
Total income tax expense	**693**	1,733

During the year ended 30 April 2023, corporation tax has been calculated at 19% of estimated assessable profit for the 11-month period to 1 April 2023 and 25% for the one-month period ending 30 April 2023 (2022: 19%).

Deferred tax balances as at 30 April 2023 are measured at the current corporation tax rate of 25%.

13. Dividends

	2023 £'000	2022 £'000
Final dividend – year ended 30 April 2022		
1.0p per ordinary share paid during the year	**1,067**	—
Interim dividend – year ended 30 April 2023		
0.4p per ordinary share paid during the year	**426**	—
	1,493	—

A final dividend for the year ended 30 April 2023 of 0.8p per share amounting to £853,333 is proposed. This represents a total dividend of 1.2p per share for the full year. The final dividend will be paid on 13 October 2023 to the shareholders on the register at the close of business on 29 September 2023. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14. Earnings per share

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

	2023 '000	2022 '000
Basic weighted average number of shares	**106,667**	106,667
Dilutive potential ordinary shares from share options	**473**	—
Diluted weighted average number of shares	**107,140**	106,667

	£'000	£'000
Profit for the year	**4,678**	1,860

	2023 Pence	2022 Pence
Earnings per share		
Basic	**4.4**	1.7
Diluted	**4.4**	1.7
Basic – adjusted*	**4.4**	2.7
Diluted – adjusted*	**4.4**	2.7

* Adjusted earnings per share in the prior year is stated before the one-off deferred tax charge of £1.1m, relating to the enacted change to the future corporation tax rate.

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders and on 106,666,650 ordinary shares (2022: 106,666,650), being the weighted average number of ordinary shares.

The dilutive shares of 473,000 represent share options exercisable under the Group's CSOP scheme that vested during the financial year, as disclosed within note 29.

Notes to the consolidated financial statements continued

For the year ended 30 April 2023

15. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 May 2021	8,827	48,535	8,980	604	66,946
Additions	262	4,464	1,241	53	6,020
Disposals	—	(1,409)	(1,439)	(190)	(3,038)
At 1 May 2022	9,089	51,590	8,782	467	69,928
Additions	66	4,528	4,093	—	8,687
Reclassification of investment property (note 16)	1,315	—	—	—	1,315
Disposals	—	(454)	(2,372)	—	(2,826)
At 30 April 2023	**10,470**	**55,664**	**10,503**	**467**	**77,104**
Accumulated depreciation					
At 1 May 2021	1,693	21,522	5,094	394	28,703
Charge for the year	425	3,529	1,238	90	5,282
Disposals	—	(1,316)	(1,270)	(190)	(2,776)
At 1 May 2022	2,118	23,735	5,062	294	31,209
Charge for the year	445	4,193	1,317	29	5,984
Reclassification of investment property (note 16)	513	—	—	—	513
Disposals	—	(393)	(2,126)	—	(2,519)
At 30 April 2023	**3,076**	**27,535**	**4,253**	**323**	**35,187**
Net book value					
At 30 April 2022	6,971	27,855	3,720	173	38,719
At 30 April 2023	**7,394**	**28,129**	**6,250**	**144**	**41,917**

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

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 May 2022	3,659	7,945	3,433	15,037
Additions	—	5	2,513	2,518
Disposals	—	—	(45)	(45)
Transfer from owned assets	—	1,731	—	1,731
Transferred to owned assets	—	(7,173)	(779)	(7,952)
At 30 April 2023	**3,659**	**2,508**	**5,122**	**11,289**
Accumulated depreciation				
At 1 May 2022	359	2,649	970	3,978
Charge for the year	119	608	886	1,613
Disposals	—	—	(16)	(16)
Transfer from owned assets	—	157	—	157
Transferred to owned assets	—	(3,005)	(385)	(3,390)
At 30 April 2023	**478**	**409**	**1,455**	**2,342**
Net book value				
At 30 April 2022	3,300	5,296	2,463	11,059
At 30 April 2023	**3,181**	**2,099**	**3,667**	**8,947**

16. Investment property

	Land and buildings £'000
Cost	
At 1 May 2022 and 30 April 2023	1,315
Reclassification to property, plant and equipment (note 15)	(1,315)
At 30 April 2023	**—**
Accumulated depreciation	
At 1 May 2022	504
Charge for the year	9
Reclassification to property, plant and equipment (note 15)	(513)
At 30 April 2023	**—**
Net book value	
At 30 April 2022	811
At 30 April 2023	**—**

The Group's investment property was reoccupied by the Group on 1 April 2023 and therefore has been reclassified to property, plant and equipment during the financial year.

17. Intangible assets

	Goodwill £'000	Software £'000	Development costs £'000	Total £'000
Cost				
At 1 May 2021	4,559	231	418	5,208
Additions	—	—	176	176
At 1 May 2022	4,559	231	594	5,384
Additions	—	—	—	—
At 30 April 2023	**4,559**	**231**	**594**	**5,384**
Accumulated amortisation				
At 1 May 2021	1,101	199	136	1,436
Charge for the year	—	17	84	101
At 1 May 2022	1,101	216	220	1,537
Charge for the year	—	2	132	134
At 30 April 2023	**1,101**	**218**	**352**	**1,671**
Net book value				
At 30 April 2022	3,458	15	374	3,847
At 30 April 2023	**3,458**	**13**	**242**	**3,713**

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For the year ended 30 April 2023

17. Intangible assets continued

Goodwill

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

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

	2023 £'000	2022 £'000
Specialist Piling	**3,270**	890
Ground Engineering Services	**188**	188
ScrewFast	**—**	2,380
	3,458	3,458

During the year, the ScrewFast CGU has been aggregated with the Specialist Piling CGU following the hive up of ScrewFast Foundations Limited into Van Elle Limited on 1 May 2022 and integration of ScrewFast into the Specialist Piling division.

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

The value-in-use calculations use pre-tax cash flow projections based on the Board-approved budget for the year ending 30 April 2024 which takes into account secured orders, the order pipeline, business plans and management actions and forecast future cash flows for the period to 30 April 2026. Subsequent cash flows are extrapolated using an estimated growth rate of 2% in line with long-term CPI inflation expectations.

The rate used to discount the projected cash flows is a pre-tax risk-adjusted discount rate of 13.5% (2022: 12.7%) based on the weighted average cost of capital of a basket of comparable companies plus a risk premium. The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 40 to 43, would also impact each CGU in a similar manner.

The key assumptions to which the assessment of the recoverable amounts of CGUs is sensitive are the projected operating profit for the period to 30 April 2024, forecast growth in the period to 30 April 2026 and the discount rate applied. For each CGU, management has considered the level of headroom resulting from the impairment tests and performed further sensitivity analysis by changing the base case assumptions applicable to each CGU. The sensitivities tested related to changes in discount rate, changes in operating profit and a combination thereof.

The value-in-use calculations, together with the sensitivity analysis described above, do not indicate an impairment of goodwill is required.

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

18. Inventories

	2023 £'000	2022 £'000
Raw materials and consumables	**2,864**	2,555
Work in progress	**2,107**	1,218
	4,971	3,773

There were no impairment losses relating to damaged or obsolete inventories in the current or previous periods. The cost of materials recognised as an expense within cost of sales is £62,447,000 (2022: £51,962,000).

19. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	**17,614**	20,596
Less: provision for impairment	**(475)**	(430)
Trade receivables – net	**17,139**	20,166
Receivables from related parties	**—**	—
Financial assets classified as amortised costs	**17,139**	20,166
Contract assets	**4,913**	2,163
Prepayments	**1,769**	544
Other receivables	**11,723**	11,239
	35,544	34,112

Other receivables of £11.7m (2022: £11.2m) relate to the receivables in respect of the research and development expenditure credit claim for the financial years ended 30 April 2022 and 2023, VAT recoverable and insurance recoveries.

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

All amounts shown under receivables fall due within one year.

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

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

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

As of 1 May 2022, the Group has trade credit insurance covering 90% of outstanding debtor balances in the instance of customer default.

As at 30 April 2023, the lifetime expected loss provision for trade receivables is as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Current	**0.0%**	**8,125**	**—**
0–30 days past due	**0.5%**	**4,810**	**24**
More than 30 days past due	**1.0%**	**1,157**	**11**
More than 60 days past due	**12.5%**	**976**	**61**
More than 90 days past due	**20.0%**	**2,546**	**379**
		17,614	**475**

As at 30 April 2022, the lifetime expected loss provision for trade receivables was as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Current	0.0%	9,196	—
0–30 days past due	0.5%	7,607	39
More than 30 days past due	1.0%	2,021	21
More than 60 days past due	15.0%	806	121
More than 90 days past due	25.0%	966	249
		20,596	430

Notes to the consolidated financial statements continued

For the year ended 30 April 2023

19. Trade and other receivables continued

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

	2023 £'000	2022 £'000
At 1 May	**430**	271
Increase during the year	**190**	251
Receivable written off during the year as uncollectable	**(145)**	(92)
At 30 April	**475**	430

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

20. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	**17,243**	18,130
Other payables	**229**	176
Accruals	**2,553**	2,583
Financial liabilities measured at amortised cost	**20,025**	20,889
Contract liabilities	**1,987**	388
Tax and social security payments	**1,233**	1,198
	23,245	22,475

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

21. Lease liabilities

All leases are accounted for by recognising a right-of-use asset as detailed in note 14 and a lease liability except for leases of low-value assets and leases with a duration of 12 months or less.

The Group leases a number of rig assets under hire purchase agreements and hires vehicles on a long-term hire basis. Hire purchase agreements are repaid over a five or three-year period; long-term hire agreements are over a four-year period and have been recognised in accordance with IFRS 16. The Group also leases two properties with fixed repayments. The remaining lease periods as at 30 April 2023 in respect of these property leases are 50 and 1.

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

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

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
At 1 May 2022	3,838	905	2,110	6,853
Additions	—	1,544	2,515	4,059
Interest expense	146	118	124	388
Principal and interest paid on lease liabilities	(274)	(1,213)	(1,295)	(2,782)
At 30 April 2023	**3,710**	**1,354**	**3,454**	**8,518**

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

	Carrying value £'000
Due less than 3 months	583
Due between 3 and 12 months	1,756
Current lease liabilities	2,339
Due between 1 and 2 years	1,717
Due between 2 and 5 years	4,462
Due after 5 years	—
Non-current lease liabilities	6,179

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

22. Deferred consideration

The deferred consideration relates to the acquisition of ScrewFast Foundations Limited for consideration of £1,760,000 plus £740,000 payable on 31 August 2023 and up to a further £1,175,000 of which a maximum of £65,000 was payable on 31 August 2022 and a maximum of £1,110,000 is payable on 31 August 2023 subject to achievement of performance criteria. Of the maximum £65,000 payable on 31 August 2022, £50,000 was paid during the financial year. The maximum £1,110,000 payable on 31 August 2023 is subject to performance over the period 1 April 2021 to 31 May 2023.

Management's assumptions are that of the further potential payment of £1,110,000 subject to performance criteria, £50,000 will be payable based on current forecasts of performance over the relevant performance periods. This is a reduction of £443,000 on the estimate as at 30 April 2022. A credit of £427,000, being the reduction in the discounted consideration payable, has been recognised as a credit within administrative expenses in the period. Given the size and nature of this credit, this is considered to be non-underlying.

The discounted amount payable due beyond one year as at 30 April 2023 is £nil (2022: £1,170,000) and within one year is £790,000 (2022: £50,000). Amounts charged to finance expenses during the year are £30,000 (2022: £61,000).

23. Reconciliation of financing liabilities

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

	Non-current lease liabilities £'000	Current lease liabilities £'000	Non-current deferred consideration £'000	Current deferred consideration £'000	Total £'000
At 1 May 2022	5,157	1,696	1,170	50	8,073
Cash flows	—	(2,782)	—	(50)	(2,832)
Non-cash flows:					
Additions to lease liabilities	1,986	2,073	—	—	4,059
Movement in deferred consideration payable	—	—	(427)	—	(427)
Liabilities classified as non-current at 30 April 2022 becoming current in the year ended 30 April 2023	(964)	964	(790)	790	—
Unwind of discount on deferred consideration	—	—	47	—	47
Interest accruing in the period	—	388	—	—	388
At 30 April 2023	**6,179**	**2,339**	**—**	**790**	**9,308**

24. Financial instruments and risk management

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

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

Financial instruments by category

	Amortised cost	
	2023 £'000	2022 £'000
Financial assets		
Cash and cash equivalents	**8,885**	6,987
Trade and other receivables	**17,139**	20,166
Contract assets	**4,913**	2,163
Total financial assets	**30,937**	29,316

Notes to the consolidated financial statements continued

For the year ended 30 April 2023

24. Financial instruments and risk management continued

Financial instruments by category continued

	Amortised cost	
	2023 £'000	2022 £'000
Current financial liabilities		
Trade and other payables	**20,025**	20,889
Deferred consideration	**790**	50
Lease liabilities	**2,339**	1,696
Total current financial liabilities	**23,154**	22,635
Non-current financial liabilities		
Lease liabilities	**6,179**	5,157
Deferred consideration	**—**	1,170
Total non-current financial liabilities	**6,179**	6,327
Total financial liabilities	**29,333**	28,962

Capital management

The Group's capital structure is kept under constant review, taking account of the need for, and availability and cost of, various sources of finance. The capital structure of the Group consists of net debt, as shown in note 30, and equity attributable to equity holders of the parent as shown in the consolidated statement of financial position. The Group maintains a balance between certainty of funding and a flexible, cost-effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to ensure that its capital structure is appropriate to support this balance and the Group's operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Financial risk management

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

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

Credit risk

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

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

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

24. Financial instruments and risk management continued

Liquidity risk

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

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

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

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

	Carrying value £'000	Total £'000	Due less than 3 months £'000	Due between 3 and 12 months £'000	Due between 1 and 5 years £'000
At 30 April 2023					
Trade and other payables	**20,025**	**20,025**	**20,025**	**—**	**—**
Lease liabilities (note 21)	**8,518**	**10,238**	**3,388**	**6,098**	**752**
Deferred consideration	**790**	**790**	**—**	**790**	**—**
	29,333	**31,053**	**23,413**	**6,888**	**752**
At 30 April 2022					
Trade and other payables	20,889	20,889	20,889	—	—
Lease liabilities (note 21)	6,854	11,968	618	1,284	10,066
Deferred consideration	1,220	1,283	50	—	1,233
	28,963	34,140	21,557	1,284	11,299

Market risk – interest rate risk

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

25. Provisions

	Warranty provision £'000	Legal and other claims £'000	Total £'000
At 1 May 2022	440	7,298	7,738
Utilised	(5)	—	(5)
Additional provision	450	—	450
Released unused	(40)	—	(40)
At 30 April 2023	**845**	**7,298**	**8,143**

The warranty provision relates to customer claims and is based on potential costs to make good defects and associated legal and professional fees in contesting and settling the claims. The increase in the warranty provision of £450,000 relates to an increase in provision for two existing claims and one new claim arising in the year. The costs associated with the two existing claims of £350,000 are considered to be non-underlying due to their size and nature, similarly to FY2022. See note 8.

Additionally, in common with comparable companies in the sector, the Group is involved in a small number of commercial disputes in the ordinary course of business which may give rise to claims by customers. These types of claims can take several years to come to light and can also take several years to resolve and so it can take many months, or years, before management are able to reliably estimate the likely cost of resolution. The legal and other claims provision includes management's best estimate of the costs that are likely to be incurred in defending and concluding such ongoing claims against the Group. The Group carries insurance and any reimbursements, where material and considered virtually certain, are treated as separate assets and disclosed within other receivables (see note 19). In the statement of comprehensive income, the expense relating to a provision is presented net of the amount recognised for the insurance reimbursement. No separate disclosure is made of the detail of these claims or proceedings or the costs recovered by insurance, as the negotiations are ongoing in respect of the claims and further disclosure could be seriously prejudicial to the Group.

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For the year ended 30 April 2023

26. Contingent liabilities

The Group is involved in two further legal claims for which management are presently unable to reliably estimate the likely costs of defending, concluding or settling and therefore no provision has been recognised in respect of these claims as at the year end date. The Group carries insurance in respect of the full cost of these claims for which any excess has been provided for within provisions above. Therefore, management consider there to be no further income statement or cash exposure in relation to these claims. At such time management consider it possible to reliably estimate the costs of defending, concluding or settling these claims a provision will be made in the financial statements along with any virtually certain insurance receivables. No disclosure is made of the detail of these claims as the investigation and negotiations are ongoing and further disclosure could be seriously prejudicial to the Group.

27. Deferred tax

Deferred tax liabilities

	Accelerated allowances £'000	Total £'000
At 1 May 2021	2,459	2,459
Charge to income statement	1,530	1,530
Charge to equity	—	—
At 30 April 2022	3,989	3,989
Charge to income statement	1,025	1,025
Charge to equity	—	—
At 30 April 2023	**5,014**	**5,014**

Deferred tax assets

	Unutilised losses £'000	Short-term timing differences £'000	Share-based Payments £'000	Total £'000
At 1 May 2021 (as restated)	749	8	—	757
Charge to income statement	(442)	—	—	(442)
Charge to equity	—	—	—	—
At 30 April 2022	307	8	—	315
Credit to income statement	244	9	78	331
Credit to equity	—	—	65	65
At 30 April 2023	**551**	**17**	**143**	**711**

The Group offsets deferred tax assets and deferred tax liabilities as they relate to income taxes levied by the same taxation authority on the same taxable entity. The net deferred tax liability as at 30 April 2023 is £4,303,000 (2022: £3,674,000).

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25%), being the rate at which deferred tax is expected to reverse in the future (see note 12).

The Group has recognised a deferred tax asset in relation to £2,205,000 (2022: £1,481,000) of tax losses carried forward on the basis that taxable profits will be available in the future against which the losses can be utilised. There are no unused tax losses that have not been recognised (2022: £nil).

28. Share capital

	Number of shares '000	Ordinary shares £'000	Share premium £'000
Authorised			
At 30 April 2023	**106,667**	**2,133**	**8,633**

All shares are allotted, issued and fully paid. The nominal value of all ordinary shares is 2p.

Share options

The maximum total number of ordinary shares exercisable under the Group's CSOP scheme that vested during the financial year amounted to 472,500 (2022: nil).

The maximum total number of ordinary shares that may vest in the future, in respect of conditional performance share plan awards at 30 April 2023, amounted to 6,555,878 (2022: 8,104,905). These shares will only be issued subject to satisfying certain performance criteria (note 29).

29. Share-based payments

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

The Group recognised total expenses of £171,000 (2022: £174,000) 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. No share options were granted under the scheme in the current financial year. In the previous financial year, share options were granted on 27 September 2021 to senior executives and management. The exercise price is 2p, being the nominal value of shares. The options will vest after three years assuming continuing employment with the Company. The extent to which the options will vest is dependent upon the Company's performance over the three-year period set at the date of grant. The vesting of 50% of the awards will be determined by the Company's relative total shareholder return ("TSR") performance and the other 50% by the Company's absolute ROCE performance.

A previous grant of options in September 2020 has not yet vested. The extent to which these 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 TSR performance and the other 50% by ROCE performance in the final year of vesting.

The grant of options in August 2019 lapsed in August 2022 as the performance criteria were not met.

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 2023, are shown below.

	2023 Number	2022 Number
At 1 May	**5,479,791**	4,619,890
Lapsed in the year	**(1,265,430)**	(331,395)
Granted in the year	**—**	1,294,388
Forfeited in the year	**(477,692)**	(103,092)
At 30 April	**3,736,669**	5,479,791

The weighted average exercise price for all options is £0.02. Of the total number of options outstanding at 30 April 2023, none had vested or were exercisable.

The weighted average fair value of each option granted during the year was £nil (2022: £0.42). The weighted average remaining contractual life for share options outstanding at the balance sheet date was 93 months (2022: 99 months).

29. Share-based payments continued

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

	2022
Option pricing model used	Monte-Carlo simulation/Black-Scholes
Weighted average share price at grant date	£0.36
Exercise price	£0.02
Expected life	3 years
Expected volatility	40.29%
Dividend yield	4.94%
Risk-free interest rate (zero-coupon bonds)	0.84%
Fair value of option (weighted average)	£0.42

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

Company Share Ownership Plan ("CSOP")

The Group operates a CSOP scheme for certain long-serving employees with over ten years' service at the time of listing of the Company.

Details of the maximum total number of ordinary shares that may be exercised in future periods in respect of conditional share awards at 30 April 2023 are shown below.

	2023 Number	2022 Number
At 1 May	**1,516,948**	1,544,448
Forfeited in the year	**(220,418)**	(27,500)
At 30 April	**1,296,530**	1,516,948

The weighted average exercise price for all options is £0.80. The weighted average remaining contractual life for share options outstanding at the balance sheet date for the combined grants was 54 months (2022: 66 months).

Of the total number of options outstanding at 30 April 2023, 472,500 had vested or were exercisable.

Save-As-You-Earn Plan ("SAYE")

The Group operates a SAYE scheme open to all employees. Under the offering, on 22 February 2022, 2,012,999 share options were granted to 103 participants. The option price was set at £0.40, which represented a 20% discount on the closing share price on 26 January 2023. The options have a term of three years starting on 1 April 2023, maturing on 1 April 2026. Participants have six months from 1 April 2026 to exercise options. Options in respect of the previous offering under the SAYE scheme that matured on 1 April 2022 lapsed during the financial year as the option price was in excess of the share price in the six-month period following the maturity date.

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 2023, are shown below.

	2023 Number	2022 Number
At 1 May	**1,108,166**	1,194,237
Lapsed in the year	**(1,108,166)**	—
Granted in the year	**2,012,999**	—
Forfeited in the year	**(17,820)**	(86,071)
At 30 April	**1,995,179**	1,108,166

The weighted average remaining contractual life for share options outstanding at the balance sheet date was 40 months (2022: 5 months).

The weighted average fair value of each option granted during the year was £0.19 (2022: £nil).

30. 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.
Other reserves	The amount of capital contributed in excess of the nominal value of each ordinary share in respect of the "cash box" share placing on 9 April 2020 net of transaction costs.
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

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

	2022 £'000	Cash flows £'000	Non-cash flows £'000	**2023 £'000**
Cash at bank	6,948	1,899	—	**8,847**
Cash in hand	39	(1)	—	**38**
Cash and cash equivalents	6,987	1,898	—	**8,885**
Lease liabilities	(6,853)	2,782	(4,447)	**(8,518)**
Net funds/(debt) including IFRS 16 Property and Vehicle Lease Liabilities	134	4,680	(4,447)	**367**

Cash flows in respect of lease liabilities include interest paid on leases of £388,000 (2022: £608,000) and principal paid of £2,394,000 (2022: £3,637,000).

Non-cash flows in respect of lease liabilities include the purchase of £4,059,000 of fixed assets on long-term hire and interest expense of £388,000 (2022: £608,000).

	2021 £'000	Cash flows £'000	Non-cash flows £'000	2022 £'000
Cash at bank	8,480	(1,532)	—	6,948
Cash in hand	38	1	—	39
Cash and cash equivalents	8,518	(1,531)	—	6,987
Loans and borrowings	(812)	861	(49)	—
Lease liabilities	(9,417)	4,245	(1,681)	(6,853)
Net funds/(debt) including IFRS 16 Property and Vehicle Lease Liabilities	(1,711)	3,575	(1,730)	134

32. Capital commitments

	2023 £'000	2022 £'000
Contracted but not provided for	**3,886**	2,580

33. Related party transactions
Details of Directors' remuneration and key management personnel remuneration are given in note 9.

During the year, transactions with Directors and key management personnel included the purchase of shares on an arm's length basis.

The CEO's spouse is employed by the Group, working on a part-time basis within the HR function. Remuneration is on an arm's length basis with a salary of £14,000 paid in the current year (2022: £12,000).

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 2023 or 2022 regarding related party debtors.

Parent company statement of financial position

As at 30 April 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Investments	6	**7,013**	6,842
Trade and other receivables	7	**11,016**	10,375
		18,029	17,217
Total assets		**18,029**	17,217
Current liabilities			
Trade and other payables	8	**31**	31
		31	31
Net assets		**17,998**	17,186
Equity			
Share capital	10	**2,133**	2,133
Share premium	10	**8,633**	8,633
Other reserve		**5,807**	5,807
Retained earnings		**1,425**	613
Total equity		**17,998**	17,186

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 (2022: £nil).

The financial statements were approved and authorised for issue by the Board of Directors on 25 July 2023 and were signed on its behalf by:

Graeme Campbell
Chief Financial Officer

The notes on pages 107 to 109 form part of these financial statements.

Parent company statement of changes in equity

For the year ended 30 April 2023

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2021	2,133	8,633	5,807	439	17,012
Share-based payment expense	—	—	—	174	174
Balance at 30 April 2022	2,133	8,633	5,807	613	17,186
Dividends received	—	—	—	2,134	2,134
Dividends paid				(1,493)	(1,493)
Share-based payment expense	—	—	—	171	171
Balance at 30 April 2023	**2,133**	**8,633**	**5,807**	**1,425**	**17,998**

The notes on pages 107 to 109 form part of these financial statements.

Notes to the parent company financial statements

For the year ended 30 April 2023

1. General information

These financial statements were approved and authorised for issue by the Board of Directors on 25 July 2023.

Van Elle Holdings plc is a public limited company incorporated and domiciled in the UK under the Companies Act 2006. The address of the Company's registered office is Van Elle Holdings plc, Southwell Lane Industrial Estate, Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG17 8GJ. The Company has its primary listing on AIM, part of the London Stock Exchange.

2. Basis of preparation

The financial statements of Van Elle Holdings plc (the "Company") are presented as required by the Companies Act 2006. The financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Company financial statements have been prepared on the going concern basis and adopting the historical cost convention.

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

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

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

The parent company does not employ any staff.

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

3. Significant accounting policies

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

Investments

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

Receivables from Group undertakings

The Company holds intercompany loans with subsidiary undertakings, which are repayable on demand. None of these loans are past due nor impaired. The carrying value of these loans approximates their fair value.

Dividends received

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

Dividends paid

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.

4. Critical accounting estimates and judgements

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

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

Carrying value of investments

The key source of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment to the parent company financial statements is the recoverability of the investments set out in note 6.

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.

Notes to the parent company financial statements continued

For the year ended 30 April 2023

5. Dividends

	2023 £'000	2022 £'000
Final dividend – year ended 30 April 2022		
1.0p per ordinary share paid during the year	**1,067**	—
Interim dividend – year ended 30 April 2023		
0.4p per ordinary share paid during the year	**426**	—
	1,493	—

The proposed final dividend for the year ended 30 April 2023 of 0.8p per share amounting to £853,333 and representing a total dividend of 1.2p per share for the full year will be paid on 13 October 2023 to the shareholder on the register at the close of business on 29 September 2023. The proposed final dividend is subject to approval by the shareholder at the Annual General Meeting and has not been included as a liability in these financial statements.

6. Investments

	2023 £'000	2022 £'000
Cost		
At 30 April	**7,013**	6,842

The undertakings in which the Company has an interest at the year end are as follows:

	Class of share capital held	Proportion of share capital held	Nature of business
Subsidiary undertakings			
Van Elle Limited	Ordinary	100%	Open-site piling, ground stabilisation, restricted access micro piling, site investigation and subsidence repair in the construction/civil engineering sector
Subsidiary undertakings of Van Elle Limited			
A & G (Steavenson) Limited	Ordinary	100%	Dormant
Dram Investments Limited	Ordinary	100%	Dormant
Van Elle 15 Ltd	Ordinary	100%	Dormant
Van Elle Canada Inc	Ordinary	100%	Piling and ground stabilisation in the Rail construction/civil engineering sector in Canada
ScrewFast Foundations Limited	Ordinary	100%	Design, supply and installation of helical piles

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

7. Trade and other receivables

	2023 £'000	2022 £'000
Receivables from related parties	**—**	—
Receivables from Group undertakings	**11,016**	10,375
Financial assets classified as loans and receivables	**11,016**	10,375

The receivables from Group undertakings represent an interest-free loan to the subsidiary, which is repayable on demand. In assessing the expected credit loss, the general approach has been applied. The subsidiary has resources to repay the loan on demand at the year end and as such the probability of default is considered to be very low and any expected credit loss is immaterial. There has been no change in credit risk since initial recognition.

Notes to the parent company financial statements continued

For the year ended 30 April 2023

8. Trade and other payables

	2023 £'000	2022 £'000
Other payables	**31**	31
Financial liabilities measured at amortised cost	**31**	31
	31	31

9. Financial instruments and risk management

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

Financial instruments by category

	Amortised cost	
	2023 £'000	2022 £'000
Financial assets		
Trade and other receivables	**11,016**	10,375
Total financial assets	**11,016**	10,375

	Amortised cost	
	2023 £'000	2022 £'000
Current financial liabilities		
Trade and other payables	**31**	31
Total financial liabilities	**31**	31

Financial risk management

The Company's objectives when managing finance and capital are detailed in note 24 of the consolidated financial statements.

10. Share capital

Authorised	Number of shares '000	Ordinary shares £'000	Share premium £'000
At 30 April 2023	**106,667**	**2,133**	**8,633**

All shares are allotted, issued and fully paid.

11. Share-based payments

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

12. Reserves

The nature and purpose of each reserve are provided in note 30 of the consolidated financial statements.

13. 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, which is the key management personnel of the Company and therefore related parties of the Group, is set out in the annual report on remuneration on page 64.

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 2023 was £11,016,000 (2022: £10,375,000).

14. Ultimate controlling party

The Company does not have an ultimate controlling party.

Shareholder information

Share price information/performance

Latest share price is available at www.van-elle.co.uk/investors. By selecting share price information under the investor information section, shareholders can check the value of their shareholding online or review share charts illustrating annual share price performance trends.

Shareholders can download copies of our annual report and accounts from www.van-elle.co.uk/investors.

Electronic communications

You can elect to receive shareholder communications electronically by signing up to Link Group's portfolio service. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

Enquiries on shareholdings

Any administrative enquiries relating to shareholdings in Van Elle Holdings plc, such as dividend payment instructions or a change of address, should be notified direct to the registrar, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. Your correspondence should state Van Elle Holdings plc and the registered name and address of the shareholder.

Corporate information

Registered office and advisers

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

Group Company Secretary
Mark Cutler (Chief Executive Officer)
Graeme Campbell (Chief Financial Officer)

Registered office
Southwell Lane Industrial Estate
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VAN ELLE
TOTAL FOUNDATION SOLUTIONS

Van Elle Holdings plc Annual report and accounts 2023