Van Elle Limited

Financial Statements

Year Ended 30 April 2020

Company number: 02590521

Contents

Country of incorporation

United Kingdom

Legal form

Private limited company

Directors

M Cutler
G Campbell (appointed 23 April 2020)
M Mason (resigned 30 April 2020)
C Bosworth

Company Secretary:
M Cutler (appointed 31 October 2019)
P M Pearson (resigned 31 October 2019)

Registered office

Southwell Lane Industrial Estate, Summit Close, Kirkby-In-Ashfield, Nottinghamshire, NG17 8GJ.

Company number

2590521

Auditor

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

Banker

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

Strategic Report

The directors present their Strategic Report for the year ended 30 April 2020.

Principal activities

The Company is principally engaged in providing a wide range of geotechnical ground engineering techniques and services to customers in a variety of UK construction end markets.

Business review

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

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

During the year much of the restructuring has been completed with a streamlined five-division structure now in place. Senior team changes are now embedded and greater internal collaboration has been facilitated by the successful co-location of all operations on the main site in Kirkby in Ashfield from May 2019.

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

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

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

To provide the Company with sufficient headroom to withstand a COVID-19 downside scenario, the Company took early action in April 2020, raising net proceeds of £6.35m from institutional investors of the holding company Van Elle Holdings plc. This leaves the Company well positioned with a strengthened balance sheet to take full advantage of growth opportunities as market conditions recover.

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

Strategic Approach

The Company remains a leader in the UK geotechnical engineering services market and the strategy is predicated on simultaneously enhancing the performance and profitability of the business through a range of business improvement activities and accelerating growth by increasing market share in our targeted sectors, maximising the integrated solutions offering, broadening the range of products and services and extending the geographical footprint into high growth markets across the UK.

The diversified business model continues to be focussed on mid-sized projects across three core markets, being Housebuilding, Infrastructure and Regional Construction, and which are supported by favourable long-term trends and where Van Elle's range of services are of critical importance.

Trading performance

Revenue in the year to 30 April 2020 declined to £84.4m (2019: £88.5m). During the last 6 weeks of the financial year, the lockdown, as a result of the COVID-19 pandemic, had a significant adverse impact on the Company with many customer sites, particularly in the housing and regional construction sectors closing down. The most significant impact was in April 2020, where revenue was approximately 20% of management's pre COVID-19 expectations.

The gross margin of the Company decreased to 26.8% (2019: 31.9%) mainly due to an adverse sales mix, with higher margin activities including rail and regional construction subdued in the year. Encouragingly, gross margin has not been significantly impacted by COVID-19 as the Company responded quickly, reducing costs in line with the downturn in activity.

Strategic report (continued)

The 4.6% reduction in revenues year on year and reduced gross margin delivered a lower contribution to overheads, translating into an operating loss for the year of £0.5m (2019: operating profit £4.6m) and an underlying operating loss for the year of £0.3m (2019: £5.2m). Reported operating margin decreased to -0.6% (2019: 5.2%) and underlying operating margin decreased to 0.9% (2019: 5.9%).

Operating performance

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

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

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

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

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

The Specialist Piling segment comprises the Specialist Piling and Rail divisions which have closely aligned capabilities. Revenue for this segment was approximately 11% lower at £25.4m (2019: £28.6m). The Specialist Piling division benefited from a strong performance in the highways sector with a presence on six smart motorway projects in the year, with several ongoing into 2021. The Rail division endured a year of subdued revenues as a result of delayed CP6 funding and the conclusion of major electrification programmes in mid 2019. The Company's track bed stabilisation system has developed positively with the completion of further projects in 2020 supported by an expanding library of test data, including with Irish Rail. We expect this technique to make further positive impacts in the UK and in Europe in the medium term. The rail business also invested in expanding its ground investigation capabilities in conjunction with Strata Geotechnics, delivering several important projects in 2020 reflecting the Company's strategy to target early involvement in key projects. As a consequence of the reduced revenues, as well as the adverse mix with lower volumes of Rail work, underlying operating profits fell to £0.3m (2019: 2.7m).

Ground Engineering Services comprises services through the Strata and Housing divisions. Revenues for this segment of £29.6m represented a 30.6% increase on the prior year (2019: £22.6m).

The housing division delivers integrated piling and Smartfoot foundation beam solutions to UK housebuilders. The division benefited from increased revenues as a result of increased market share. However competitive pricing, investment in vibro capabilities and some operational inefficiencies as well as the impacts of COVID-19 in the later weeks of the financial year, resulted in underlying operating profits reducing to £0.2m (2019: £1.4m).

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

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

Strategic report (continued)

Section 172

How we engage with our stakeholders

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

Key decisions

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

Strategic report (continued)

Section 172 (continued)

Decision	Actions taken	Key stakeholder groups considered
Dealing with the COVID-19 pandemic	• Regularly reviewed the challenges presented by the COVID-19 pandemic and government announcements on social distancing and safety. • Detailed considerations as to how we could continue to operate safely on sites and in the offices, and travel and accommodation issues for our workers.	• The safety of our work force was our primary driver during this period, together with their and the Company's financial security. • The board recognised the conflict of managing the financial security of the Group and the impact of furloughing staff. • Where staff were affected the board ensured clear communication took place. • The board continues to arrange for staff to return to work as soon as possible as operations recover. • The Company recognised the importance of the sector working together to face the pandemic. The Company engaged with customers and supply chain to ensure actions were supportive of key stakeholders. • The board is conscious that the actions of the Company during the initial lockdown phases and longer-term recovery will inform employee engagement and key supplier relationships in the longer term.
Setting the annual budget and subsequent forecast modelling following the COVID-19 outbreak for going concern purposes	• Reviewed and approved budgets for FY21 and high-level profit and cash forecasts for the next 12 months, all of which were updated for the impact of COVID-19. • Approval of the going concern assumption.	• In reviewing the budget and subsequent forecasts, the board considered the impact on all stakeholders. • Setting the budget identified key areas of focus for the Group providing development opportunities for employees. • The budgeting process also provided reliable information to take decisions such as furloughing staff as noted above. • In setting the budget the board also gave consideration to customers and identified opportunities to develop customer relationships and improve service delivery and efficiency. • In setting the budget consideration was given to suppliers around payments ensuring that there was clarity around when payments would be made to allow suppliers to effectively manage working capital.

Strategic report (continued)

Decision	Actions taken	Key stakeholder groups considered
Restructuring including the redundancy of certain team members	• Various roles were considered to be redundant in the streamlining of divisions from 8 to 5.	• The board considered the impact on the workforce and in particular those directly impacted by the restructure. • While the decision to restructure the Company is considered necessary to develop the returns to the ultimate parent shareholders and improve the service provided to customers the board recognise the negative impact the process has on employees. The board ensured that the redundancy process was done fairly and was transparent with experienced human resources expertise supporting the process. All employees impacted in the process were supported and treated with respect to ensure our standards and reputation for business conduct was maintained.

Directors' s172 statement

The Board of Directors consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1)(a-f) of the Act) in the decisions they have taken during the year ended 30 April 2020.

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

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

Outlook

Whilst the majority of customer sites have safely re-opened and trading for the first half of FY2021 was encouraging in the circumstances, the exact trajectory of the wider industry recovery remains uncertain as the global pandemic is ongoing. The Directors are mindful that this market uncertainty will likely persist well into the current financial year. However, the Company's customer focused approach as well as firm commitments to government investment, and support for, infrastructure and housing construction, gives the Directors confidence for the Company's prospects over the medium-term.

Risk management and principal risks

The Company's objective is to minimise risks and uncertainties to the level of the market place in which it operates and achieves this through its risk management systems. Management reviews the principal risks throughout the year adopting an integrated approach to risk management by regular discussion. In addition, once a year there is a formal assessment of risks as required by the parent company.

The risks and uncertainties affecting the Company are consistent with the Group and full details are disclosed in the Parent Company's financial statements.

On behalf of the Board

G Campbell
Director
26 January 2021

Directors' report

The directors present their Directors' Report together with the financial statements for the year ended 30 April 2020.

Results and dividends

The statement of comprehensive income for the year ended 30 April 2020 is set out on page 12 and shows the result for the year.

A final dividend in respect of the year ending 30 April 2019 of £800,000 was paid to the parent company during the year. No interim dividend in respect of the year ending 30 April 2020 has been paid during the year and the directors do not recommend the payment of a final dividend.

Directors

The directors of the company during the year were:

M Cutler
G Campbell (appointed 23 April 2020)
M Mason (resigned 30 April 2020)
C Bosworth

Company Secretary:
M Cutler (appointed 31 October 2019)
P M Pearson (resigned 31 October 2019)

Directors' indemnities

The Company has directors' and officers' indemnity insurance in place in respect of each of the Directors.

Streamlined Energy and Carbon Reporting

Details of the Company's green house gas emissions are disclosed in the financial statements of the immediate and ultimate parent company, Van Elle Holdings plc.

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' 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 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 company and of the profit or loss of the company for that period.

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 IFRSs in conformity with the requirements of the Companies Act 2006, 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 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 Company's financial instruments comprise cash, fixed-rate loans, obligations under finance leases and various items such as receivables and payables which arise from its operations.

The main financial risks faced by the Company are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently, the Company 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.

Directors' report (continued)

Going concern

The statement regarding going concern is set out in note 2 to the financial statements on page 16.

Subsequent events

On 1 October 2020 the Company entered into an agreement with ABN AMRO Commercial Finance for up to £11m of asset-based lending facilities. The facilities are on a revolving basis over 4 years and are secured by an all-assets debenture including first priority charges over the Company's receivables and certain tangible fixed assets. There are no financial covenants associated with these facilities. On entering into the above agreement the Company's overdraft facilities with Lloyds Banking Group of £2.5m came to an end.

On 21 January 2021 an incident occurred at a site on which Van Elle were operating, resulting in the fatality of a subcontractor working on behalf of the Company. There is an ongoing investigation with HSE for which no conclusion has yet been reached.

Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

G Campbell
Director
26 January 2021

Independent auditor's report to the members of Van Elle Limited

Opinion

We have audited the financial statements of Van Elle Limited ("the Company") for the year ended 30 April 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Independent auditors report to the member of Van Elle Limited (continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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' report, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
https://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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham, UK
26 January 2021

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

Statement of comprehensive income

For the year ended 30 April 2020

	Note	2020 £'000	2019 £'000
Revenue	5	**84,373**	88,468
Cost of sales		(61,794)	(60,281)
Gross profit		**22,579**	28,187
Administrative expenses		(24,030)	(23,468)
Credit loss impairment charge	19	(299)	(157)
Other operating income	7	1,242	-
Operating (loss)/profit	9	**(508)**	4,562
Operating (loss)/profit before share-based payments and other non underlying items		**(257)**	5,244
Share-based payments	28	(116)	(123)
Other non underlying items	8	(135)	(559)
Operating (loss)/profit	9	**(508)**	4,562
Finance expense	11	(654)	(579)
Finance income	11	24	52
(Loss)/profit before tax		**(1,138)**	4,035
Income tax expense	12	(216)	(865)
Total comprehensive (loss)/income for the year		**(1,354)**	3,170

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

The notes on pages 16 to 36 form part of these financial statements.

Statement of financial position

As at 30 April 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	14	**38,566**	38,486
Investment property	15	**829**	-
Intangible assets	16	**439**	110
Investments	17	**73**	73
		39,907	38,669
Current assets			
Inventories	18	**2,702**	2,882
Trade and other receivables	19	**12,633**	20,558
Corporation tax receivable		**854**	118
Cash and cash equivalents		**12,188**	7,997
Assets classified as held for sale	20	**683**	-
		29,060	31,555
Total assets		**68,967**	70,224
Current liabilities			
Trade and other payables	21	**21,950**	20,537
Loans and borrowings	22	**-**	4,695
Lease liabilities	23	**3,875**	-
Provisions	25	**241**	236
		26,066	25,468
Non-current liabilities			
Loans and borrowings	22	**-**	7,534
Lease liabilities	23	**7,461**	-
Deferred tax	26	**1,572**	1,298
		9,033	8,832
Total liabilities		**35,099**	34,300
Net assets		**33,868**	35,924
Equity			
Share capital	27	**2**	2
Retained earnings		**33,866**	35,922
Total equity		**33,868**	35,924

The financial statements were approved and authorised for issue by the Board of Directors on 26 January 2021 and were signed on its behalf by:

G Campbell
Director

The notes on pages 16 to 36 form part of these financial statements.

Statement of cash flows
For the year ended 30 April 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	30	**8,113**	6,823
Interest received		**-**	52
Interest paid		**-**	(579)
Income tax paid		**(679)**	(1,366)
Net cash generated from operating activities		**7,434**	4,930
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,373)**	(2,390)
Disposal of property, plant and equipment		**467**	393
Purchases of intangibles		**(418)**	(10)
Net cash absorbed in investing activities		**(2,324)**	(2,007)
Cash flows from financing activities			
Repayment of bank borrowings		**(975)**	(150)
Repayments of Invest to Grow loan		**(15)**	(95)
Principal paid on lease liabilities (2019: payments to finance lease creditors)		**(4,839)**	(5,561)
Interest paid on lease liabilities		**(612)**	-
Interest paid on loans and borrowings		**(42)**	-
Interest received		**24**	-
Loan from parent company		**6,340**	-
Dividends paid		**(800)**	-
Net cash absorbed in financing activities		**(919)**	(5,806)
Net increase/(decrease) in cash and cash equivalents		**4,191**	(2,883)
Cash and cash equivalents at beginning of year		**7,997**	10,880
Cash and cash equivalents at end of year		**12,188**	7,997

The notes on pages 16 to 36 form part of these financial statements.

Statement of changes in equity

For the year ended 30 April 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2018	2	32,629	32,631
Total comprehensive income	—	3,170	3,170
Share-based payment expense	—	123	123
Total changes in equity	—	3,293	3,293
Balance at 30 April 2019	2	35,922	35,924
Total comprehensive income	—	**(1,354)**	**(1,354)**
Share-based payment expense	—	**116**	**116**
Total changes in equity	—	**(1,238)**	**(1,238)**
Dividends paid	—	**(800)**	**(800)**
Write off of prior year reserve	—	**(18)**	**(18)**
Balance at 30 April 2020	**2**	**33,866**	**33,868**

The notes on pages 16 to 36 form part of these financial statements.

Notes to the financial statements

For the year ended 30 April 2020

1. General information

The financial statements present the results of Van Elle Limited (the "Company") for the year ended 30 April 2020.

Van Elle Limited is a private company incorporated and domiciled in the UK under the Companies Act 2006. The principal activity of the Company 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 Company also develops, manufactures and installs precast concrete products for use in specialist foundation applications.

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

Basis of accounting

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

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

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

Going concern

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

The following factors were considered as relevant:

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

The Company has moved from a net debt position of £4.2m as at the end of 2019 to a net funds position as at the end of 2020.

On 1 October 2020 the Company entered into an agreement with ABN AMRO Commercial Finance for up to £11m of asset-based lending facilities. The facilities are on a revolving basis over 4 years and are secured by an all-assets debenture including first priority charges over the Company's receivables and certain tangible fixed assets. There are no financial covenants associated with these facilities. On entering into the above agreement the Company's overdraft facilities with Lloyds Banking Group of £2.5m came to an end.

The only remaining debt finance utilised at the date of approval of the financial statements relates to HP agreements that have a maximum maturity date of September 2024.

The impact of COVID-19 on construction activity was felt across all sectors – housing sites closed completely, construction projects were substantially paused and critical infrastructure schemes continued where safe to do so but with reduced productivity. Suppliers were also affected, and Scotland stopped all construction activity for several weeks. As a result, revenues were impacted heavily in March and by as much as 80% in April; the final month of the financial year. Detailed forecasts have been prepared for the foreseeable future, being at least one year from the date of approval of the financial statements. These forecasts reflect a prudent view of performance given the market conditions following COVID-19 are unknown and do not anticipate recovering to normalised trading levels until the end of the financial year ended 30 April 2021. These forecasts demonstrate a healthy cash flow and headroom across the period to January 2022.

Reverse stress testing and sensitivity analysis has been carried out and the board are satisfied that the scenarios in which the level of trading is such that the Company 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 Company and Company is able to operate within the level of its current financial resources for a period of at least 12 months from the date of approving the financial statements and therefore the financial statements have been prepared on a going concern basis.

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

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

Notes to the financial statements (continued)

2. Basis of preparation (continued)

Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 May 2019

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

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

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

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

Impact of accounting policy change

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

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

2. Basis of preparation (continued)

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

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

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

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

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

In line with IFRS 15 Revenue from Contracts with Customers the Company 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 Company. 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. This is classified as a series as each distinct good 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 good to the customer. Mobilisation (moving the piling rig equipment to the customer site) does not represent a separate performance obligation. Mobilisation revenue is included within the transaction price of the related performance obligation and recognised over time. The revenue for each performance obligation is recognised over time because each pile enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time occurs using the output method. Progress is determined by completed pile logs.

Ground Engineering Services
The performance obligations and transaction price are defined within signed contracts between the customer and the Company. 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 Company 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 good 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 good to the customer. The revenue for each performance obligation is recognised over time because each good enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time using the output method. Progress is determined by completed logs.

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Variable consideration

The following types of income are variable consideration and are only recognised when management determines them 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 Company if it is deemed the Company has caused unnecessary delays or additional work. The Company 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 Company. 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 Company 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 includes applications to the extent that there is an unconditional right to payment and the amount has been certified by the customer.

Contract assets

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

Contract liabilities

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

Exceptional items

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

Other non-recurring items

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

Taxation

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

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

Dividends

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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 Company, and the cost of the asset can be measured reliably. All other repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

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

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

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

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

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

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

Investment property

Investment properties are held for long-term rental yields and are not occupied by the Company. 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

Computer software

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

Development costs

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

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

Impairment of non-financial assets

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

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

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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.

Inventories

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

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

Assets classified as held for sale

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

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

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

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

Financial assets and liabilities

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

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

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

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

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

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

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

The Company'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 Company'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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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.

Payables to Group undertakings

The Company holds intercompany loans with subsidiary undertakings and the ultimate parent company Van Elle Holdings plc which are repayable on demand. None of these loans are past due nor impaired. The carrying value of these loans approximates their fair value.

Government grants

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

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

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

Retirement benefit cost

The Company operates a defined contribution pension scheme for the benefit of employees. The Company 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 Company 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 Company 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 Company has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Deferred taxation

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company 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 Company operates two equity-settled share-based payment plans, details of which can be found in note 28 to the consolidated financial statements.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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 Company of quoted market comparators. Following the initial valuation, no adjustments are made in respect of market-based conditions at the reporting date.

4. Critical accounting estimates and judgements

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

Critical accounting judgements

Underlying profit before tax and underlying operating profit

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

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

Contracts

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

Leased Assets

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

Development Costs

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

Assets classified as held for sale

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

Sources of estimation uncertainty

Contracts

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

In addition, the Company recognises impairment provisions in respect of bad and doubtful trade debtors. The estimates necessary to calculate these provisions are based on historical experience adjusted for estimates of known changes in credit risk based on facts and circumstances at the year-end date (Covid-19).. The simplified approach for calculating impairment of financial assets has been used. Lifetime expected credit losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each

Notes to the financial statements (continued)

4. Critical accounting estimates and judgements (continued)

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 materiality change the level of impairment provision recognised.

Leased Assets

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

5. Revenue

The Company operates solely within the UK. A breakdown of revenue by segment and markets is provided in note 6.

6. Revenue from contracts with customers

Disaggregation of revenue – 30 April 2020

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

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

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

Disaggregation of revenue – 30 April 2019

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

Contract assets

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

Contract liabilities

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

Notes to the financial statements (continued)

7. *Other operating income*

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

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

8. Other non-underlying items

	2020 £'000	2019 £'000
Exceptional costs	**652**	559
Impairment of property	**486**	-
Research and development expenditure credit relating to prior years	**(1,003)**	-
	135	559

Current year exceptional costs relate to restructuring including redundancy and CEO compensation as the Company made the final changes to the operating divisions, the streamlining of which began in 2018, and costs incurred in the resolution of a technical compliance irregularity concerning the final dividend paid by the parent company Van Elle Holdings plc for the year ended 30 April 2019. Further details of the technical compliance irregularity are contained within the consolidated financial statements of Van Elle Holdings plc.

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

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

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

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

9. Operating (loss)/profit

Operating profit is stated after charging/(crediting):

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

Notes to the financial statements (continued)

10. Staff costs

Staff costs, including Directors, are outlined below.

	2020 £'000	2019 £'000
Employee benefits expenses (including Directors):		
Wages and salaries	**24,412**	24,642
Social security contributions and similar taxes	**2,686**	2,741
Defined contribution pension cost	**722**	504
Share-based payments (note 28)	**116**	123
	27,936	28,010
Directors and key management personnel:		
Wages and salaries	**1,789**	1,727
Defined contribution pension cost	**74**	69
Share-based payments (note 28)	**33**	123
	1,896	1,919
Directors remuneration		
Wages and salaries	**598**	473
Other*	**143**	-
Defined contribution pension cost	**32**	30
	773	503

*Other relates to a compensation payment for LTIP's foregone on joining the business.

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

The total amount payable to the highest paid director in respect of emoluments was £294,000 (2019: £197,095). A compensation payment of £143,000 (2019: £nil) for LTIP's foregone on joining the business was made to the highest paid director and company pension contributions of £28,000 (2019: £9,180) were made to defined contribution schemes on their behalf.

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

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

11. Finance income and expense

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

12. Income tax expense

	2020 £'000	2019 £'000
Current tax (credit)/expense		
Current tax on profits for the year	—	537
Adjustment for over provision in the prior period	**(59)**	(1)
Total current tax (credit)/expense	**(59)**	536
Deferred tax expense		
Origination and reversal of temporary differences	**195**	329
Adjustment for over provision in the prior period	**(66)**	—
Effect of decreased tax rate on opening balance	**146**	—
Total deferred tax expense	**275**	329
Income tax expense	**216**	865

Notes to the financial statements (continued)

12. Income tax expense (continued)

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

	2020 £'000	2019 £'000
(Loss)/profit before income taxes	(2,239)	4,035
Tax using the standard corporation tax rate of 19% (2019: 19%)	**(425)**	767
Adjustments for over provision in previous periods	**(125)**	(1)
Expenses not deductible for tax purposes	**223**	99
Income not taxable	**(195)**	—
Unused tax losses for which no deferred tax asset has been recognised	**592**	—
Tax rate changes	**146**	—
Total income tax expense	**216**	865

During the year ended 30 April 2020, corporation tax has been calculated at 19% of estimated assessable profit for the year (2019: 19.0%).

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

13. Dividends

	2020 £'000	2019 £'000
Final dividend – year ended 2019		
£326.80 per ordinary share paid during the year (2019: £nil)	**800**	-
Interim dividend – year ended 2020		
£nil per ordinary share paid during the year (2019: £nil)	-	-
	800	-

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

14. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 May 2018	6,787	43,281	8,755	436	59,259
Additions	356	2,574	684	24	3,638
Disposals	—	(938)	(508)	—	(1,446)
At 1 May 2019	7,143	44,917	8,931	460	61,451
On adoption of IFRS 16 as at 1 May 2019	**3,659**	—	—	—	**3,659**
Additions	**136**	**2,729**	**465**	**17**	**3,347**
Disposals	—	**(992)**	**(385)**	—	**(1,377)**
Transferred to investment property	**(1,315)**	—	—	—	**(1,315)**
Transferred to assets available for sale	**(821)**	—	—	—	**(821)**
At 30 April 2020	**8,802**	**46,654**	**9,011**	**477**	**64,944**
Accumulated depreciation					
At 1 May 2018	691	15,286	3,517	263	19,757
Charge for the year	283	2,684	1,280	44	4,291
Disposals	—	(743)	(340)	—	(1,083)
At 1 May 2019	974	17,227	4,457	307	22,965
Charge for the year	**420**	**2,893**	**1,177**	**43**	**4,533**
Disposals	—	**(652)**	**(366)**	—	**(1,018)**
Transferred to assets available for sale	**(102)**	—	—	—	**(102)**
At 30 April 2020	**1,292**	**19,468**	**5,268**	**350**	**26,378**
Net book value					
At 30 April 2019	6,169	27,690	4,474	153	38,486
At 30 April 2020	**7,510**	**27,186**	**3,743**	**127**	**38,566**

Notes to the financial statements (continued)

14. Property, plant and equipment (continued)

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

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

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

15. Investment property

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

During the year ending 30 April 2020 a valuation of the property, classified as an investment property, performed for the purpose of establishing rental values, indicated the carrying value of the asset exceeded its recoverable amount. An impairment test was undertaken and an impairment loss of £486k has been recognised in the statement of comprehensive income.

16. Intangible assets

	Software £'000	Development Costs £'000	Total £'000
Cost			
At 1 May 2018	221	—	221
Additions	10	—	10
At 1 May 2019	231	—	231
Additions	—	**418**	**418**
At 30 April 2020	**231**	**418**	**649**
Accumulated amortisation			
At 1 May 2018	76	—	76
Charge for the year	45	—	45
At 1 May 2019	121	—	121
Charge for the year	**51**	**38**	**89**
At 30 April 2020	**172**	**38**	**210**
Net book value			
At 30 April 2019	110	—	110
At 30 April 2020	**59**	**380**	**439**

Notes to the financial statements (continued)

17. Investments

	2020 £'000	2019 £'000
Cost:		
At 30 April	**73**	73
	73	73

The principal undertakings in which the Company's interest at the year end is 20% or more are as follows:

	Class of share capital held	Proportion of share capital held	Nature of business
Subsidiary undertakings			
A & G (Steavenson) Limited	Ordinary	100%	Dormant
Dram Investments Limited	Ordinary	100%	Dormant
Van Elle 15 Limited	Ordinary	100%	Dormant

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

18. Inventories

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

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

19. Trade and other receivables

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

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

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

All amounts shown under receivables fall due within one year.

The Company does not hold any collateral as security over trade receivables or contract assets as at 30 April 2020.

The Company 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 Companyed 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 Company'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 Company's customers and isolated items not deemed to be indicative of future credit losses.

Notes to the financial statements (continued)

19. Trade and other receivables (continued)

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

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

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

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

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

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

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

20. Assets classified as held for sale

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

21. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**8,519**	14,517
Other payables	**144**	301
Accruals	**868**	617
Amounts owed to group undertakings	**10,402**	4,062
Financial liabilities measured at amortised cost	**19,933**	19,497
Contract liabilities	**228**	291
Tax and social security payments	**1,789**	749
	21,950	20,537

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

In April 2020 the ultimate parent company Van Elle Holdings plc made a placing of new ordinary shares raising net processed of £6.35m. The cash proceeds from this share issue were received by Van Elle Limited resulting in an increase in the intra group loan with Van Elle Holdings plc equal to the value of the net proceeds.

Notes to the financial statements (continued)

22. Loans and borrowings

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

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

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

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

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

On 1 October 2020 the Company entered into an agreement with ABN AMRO Commercial Finance for up to £11m of asset-based lending facilities. The facilities are on a revolving basis over 4 years and are secured by an all assets debenture including first priority charges over the Company's receivables and certain tangible fixed assets. There are no financial covenants associated with these facilities. On entering into the above agreement the Company's overdraft facilities with Lloyds Banking Group of £2.5m were terminated.

23. 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.

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

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

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

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

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

Notes to the financial statements (continued)

23. Lease liabilities (continued)

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

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

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

24. Financial instruments and risk management

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

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

Financial instruments by category

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

	Amortised cost	
	2020 £'000	2019 £'000
Current financial liabilities		
Trade and other payables	**19,933**	19,497
Secured loans	**—**	165
Lease liabilities	**3,875**	4,530
Total current financial liabilities	**23,808**	24,192
Non-current financial liabilities		
Secured loans	**—**	825
Lease liabilities	**7,461**	6,709
Total non-current financial liabilities	**7,461**	7,534
Total financial liabilities	**31,269**	31,726

Capital management

The Company's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Company consists of net debt, as shown in note 31, and equity attributable to equity holders of the parent. The Company maintains a balance between certainty of funding and a flexible, cost-effective financing structure with all main borrowings being from committed facilities. The Company's policy continues to ensure that its capital structure is appropriate to support this balance and the Company's operations. In order to maintain or adjust the capital structure, the Company 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 Company's objectives when managing finance and capital are to safeguard the Company'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 Company is not subject to any externally imposed capital requirements.

The main financial risks faced by the Company are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently, the Company 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.

Notes to the financial statements (continued)

24. Financial instruments and risk management (continued)

Credit risk

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

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. It is Company 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 Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Total contract limits are established for each customer, which represent the maximum exposure permissible without requiring approval from the Board.

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

Liquidity risk

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

The Company'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 Company 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 Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed £2,500,000 overdraft facility.

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

	Carrying value £'000	Total £'000	Due less than 3 months £'000	Due between 3 and 12 months £'000	Due within 1 to 5 years £'000
At 30 April 2020					
Trade and other payables	**19,933**	**19,933**	**19,933**	—	—
Secured loans	—	—	—	—	—
Lease liabilities (note 23)	**11,336**	**17,201**	**1,245**	**3,142**	**12,814**
	31,269	**37,134**	**21,178**	**3,142**	**12,814**
At 30 April 2019					
Trade and other payables	19,497	19,497	14,486	5,011	—
Secured loans	990	1,031	61	133	837
Lease liabilities (note 23)	11,239	12,264	1,345	3,619	7,300
	31,726	32,792	15,892	8,763	8,137

Market risk – interest rate risk

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

25. Provisions

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

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

Insurance provision comprises insurance policy excesses associated with insurance claims. The Company is party to a legal claim which commenced in 2014 in connection with a claim made by a third party contractor against the Company in respect of work performed by the Company in 2012. As at 30 April 2020 the claim is still ongoing, and no settlement amounts have been agreed. The Company has a professional indemnity insurance policy in place with a maximum claim value of £10.0m, the total value of the claim is in excess of the maximum claim value. The claim has been referred to the Company's insurer which has confirmed that it will

Notes to the financial statements (continued)

25. Provisions (continued)

provide cover. Based on professional advice received and commercial judgement the Directors consider any potential financial impact is considered to be limited to the excess payable pursuant to the terms of the insurance policy and therefore no further provision is required in addition to the insurance excess disclosed above. This position is consistent with that disclosed in the holding company, Van Elle Holdings plc, AIM admission document (section 15 of additional information) which is available at www.van-elle.co.uk.

26. Deferred tax

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

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

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

27. Share capital

	2020 Number	2020 £'000	2019 Number	2019 £'000
Authorised, called up and fully paid				
Ordinary shares of 100p each	**2,448**	**2**	2,448	2

28. Share-based payments

Certain Directors and key employees of the Company are eligible to participate in two share-based incentive schemes, operated by Van Elle Holdings plc, known as the Van Elle Holdings plc Long Term Incentive Plan ("LTIP") and the Van Elle Holdings plc Company Share Option Plan ("CSOP"). Both schemes are United Kingdom tax authority-approved schemes.

Both schemes enable certain Directors and employees to acquire shares in the parent company, Van Elle Holdings plc.

The Company has recognised costs of £116,000 (2019: £122,870) in respect of equity-settled share-based payment transactions in the year.

Details of all the schemes, together with details of options granted during the year, are disclosed in the financial statements of the immediate and ultimate parent company, Van Elle Holdings plc.

29. Reserves

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

Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

Notes to the financial statements (continued)

30. Cash generated from operations

	2020 £,000	2019 £,000
Operating profit/(loss)	**(508)**	4,562
Adjustments for:		
Depreciation of property, plant and equipment	**4,533**	4,291
Amortisation of intangible assets	**89**	45
Impairment of investment property	**486**	-
Impairment of assets available for sale	**36**	-
Profit on disposal of property, plant and equipment	**(107)**	(26)
Write off of non-controlling interest	**(18)**	-
Share-based payment expense	**116**	123
Operating cash flows before movement in working capital	**4,627**	8,995
Decrease/(increase) in inventories	**180**	(317)
Decrease/(increase) in trade and other receivables	**7,925**	1,667
(Decrease)/increase in trade and other payables	**(4,624)**	(3,488)
Increase/(decrease) in provisions	**5**	(34)
Cash generated from operations	**8,113**	6,823

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

	2019 £'000	Cash flows £'000	Non-cash flows £'000	2020 £'000
Cash at bank	7,953	**4,198**		**12,151**
Cash in hand	44	**(7)**		**37**
Cash and cash equivalents	7,997	**4,191**		**12,188**
Bank loans secured	(975)	**975**		**-**
Other loans secured	(15)	**15**		**-**
Lease liabilities	(11,239)	**5,451**	**(5,548)**	**(11,336)**
Net funds/(debt) including IFRS 16 lease liabilities	(4,232)	**10,632**	**(5,548)**	**852**

Significant non-cash transactions include the purchase of £975,000 (2019: £1,250,181) of fixed assets on hire purchase, £3,961,000 of liabilities introduced on the adoption of IFRS 16 and £612,000 of interest expense on lease liabilities.

Cash transactions in respect of lease liabilities include interest paid on lease liabilities of £612,000 and principal paid on lease liabilities of £4,839,000.

	2018 £'000	Cash flows £'000	Non-cash flows £'000	2019 £'000
Cash at bank	10,832	(2,879)		7,953
Cash in hand	48	(4)		44
Cash and cash equivalents	10,880	(2,883)		7,997
Bank loans secured	(1,125)	150		(975)
Other loans secured	(110)	95		(15)
Finance leases	(15,550)	5,561	(1,250)	(11,239)
Net debt	(5,905)	2,923	(1,250)	(4,232)

32. Capital commitments

	2020 £'000	2019 £'000
Contracted but not provided for	**44**	1,317

Notes to the financial statements (continued)

33. Related party transactions

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

Other related party transactions are as follows:

		Transaction amount		Balance owed	
Related party transaction	Type of transaction	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Dividends paid to key management personnel	Dividends received	**53**	173	—	—

The Company has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2020 or 2019 regarding related party debtors.

During the year, transactions with KMP included the purchase and sale of shares in the holding company Van Elle Holdings Plc on an arm's length basis.

During the year the parent company, Van Elle Holdings plc, contributed to the share-based payment scheme for employees of Van Elle Limited and a share-based payment charge of £116,000 (2019: £122,870) has been recognised in these financial statements as disclosed in Note 10.

34. Ultimate parent company

The Company is a subsidiary of Van Elle Holdings plc which is the ultimate parent company incorporated in the United Kingdom.

The largest and smallest group in which the results of the company are consolidated is that headed by Van Elle Holdings plc, incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Companies House. No other group accounts include the results of the company.

35. Subsequent events

On 1 October 2020 the Company entered into an agreement with ABN AMRO Commercial Finance for up to £11m of asset-based lending facilities. The facilities are on a revolving basis over 4 years and are secured by an all-assets debenture including first priority charges over the Company's receivables and certain tangible fixed assets. There are no financial covenants associated with these facilities. On entering into the above agreement the Company's overdraft facilities with Lloyds Banking Group of £2.5m came to an end.

On 21 January 2021 an incident occurred at a site on which Van Elle were operating, resulting in the fatality of a subcontractor working on behalf of the Company. There is an ongoing investigation with HSE for which no conclusion has yet been reached.