ESH CONSTRUCTION

ESH CONSTRUCTION LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS / 31 DECEMBER 2015

REGISTERED NUMBER: 02529939

Esh Construction Limited

Annual report and financial statements

for the year ended 31 December 2015

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Contents

Esh Construction Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2015.

Principal activities
The principal activities of the group during the year were civil engineering, property maintenance, property construction and facility services.

Business review and key performance indicators
The group continues to use a range of non-financial and financial performance related indicators to ensure that activities are monitored and controlled effectively. Those set out below are reported to the board and staff at frequent and regular intervals.

	2015	2014
Turnover	**£252.5m**	£253.1m
Turnover growth	**(0.2%)**	38.4%
Gross profit margin	**7.5%**	8.5%
Overhead (administrative) costs	**£13.9m**	£12.6m
Profit before tax	**£4.9m**	£9.1m
Cash at bank and in hand	**£11.2m**	£23.4m

Performance
As we had anticipated, 2015 turned out to be a year of consolidation with turnover flat. We had hoped that profitability would be similar to that in 2014, but it has suffered a downturn which, is disappointing in the short term.

More importantly, our medium to long term plans are soundly based and recognise that we need to consolidate further during 2016 and into 2017 to allow us to then start growing again, subject to market conditions.

This consolidation mainly revolves around the Project Gateway updating our Business IT Systems across the Group. With the advance work of looking at what we have now and what we need to move to going forward completed in 2015 and the business vision being established in early 2016, we will move to an implementation stage in the summer of 2016. This is a large project that will involve all employees across the Group, with communication playing a massive part in its successful delivery. Putting in place new technology and systems will not be achieved without buy-in from our people. We envisage this project running through until the end of 2017.

During our 5 year plan updates to employees and supply chain, we have stressed the need to have a clear strategy for taking the business forward and the importance of Project Gateway to enable us to meet our business expansion plans. This is not a business that chases turnover for the sake of it: it has to be part of a plan that continues to position Esh Construction and the Esh Group as a strong secure business, demonstrated by its balance sheet, sustainable profit, cash strength and, ultimately, brand and reputation. These attributes give our workforce the ability to express themselves and feel secure. This also allows us to continue to work closely within the communities that we work.

As well as Project Gateway, the key business issue is making the change from being a North East of England Business to a Business covering the North of England and Scotland. Our North East Business is long established and produces sustainable profit across our diverse range of construction services. Our challenge has been and still is to replicate this across our other regional operational areas. This is proving more difficult than we thought but we continue to work at it, as the rewards will be substantial in terms of meeting our strategy.

We have been and will continue to re-assess the model outside the North East of England, tailoring our approach to market conditions which vary across the sectors in which we work.

Our Added Value work, continues to support our operations and bring us closer to the communities in which we work.

We are passionate about the work we do and just as we do with our construction work, our responsible business programmes are well planned out and organised. There is a strong link to our brand and reputation and whilst we are a competitive business, we always look to secure projects on the back of innovation and the value we can add to the project.

We have continued to invest in our Apprentice Programme, with over 120 employed by the end of 2015 and another intake planned for the summer of 2016. Offering employment is just the start of the journey: the key is nurturing the talent as the trainees adapt from education to work. We put a lot of effort into this programme and its effectiveness is demonstrated by high retention rates. We have also ramped up the upskilling and development of our workforce.

An example of this would be our "Future Leaders Programme" for aspiring directors of the future. This programme started in September of 2015, with 12 of our team taking part. Once we have feedback from this group, we intend to expand the scheme to junior and middle management.

North East

Our well established North East operations delivered out of Bowburn, have continued to perform very well across all sectors, increasing our share of the infrastructure market providing services to many of the key house builders across the region. The framework and bid teams have worked tirelessly on completing the Pre Qualification Questionnaire (PQQ) and tender process for Northumbrian Water Group's AMP 6 Water and Wastewater Networks. The framework is a 5 year plus 5 year agreement, which Esh Construction has successfully secured with Esh Construction's design partners MWH and subsequently, a new joint venture has been formed, named Esh-MWH Ltd.

This ten-year contract for work to be carried in the North East of England began in October 2015 with Esh-MWH delivering five main areas of planned maintenance to Northumbrian Water's Water and Wastewater networks. These works range from short term flood damage mitigation to significant long term, large-scale capital projects designed to improve overall asset infrastructure.

This contract extends Esh Construction's working relationship with Northumbrian Water, with which Esh has worked for over 25 years and it is in addition to another contract – delivering reactive wastewater maintenance services – which we secured earlier in the year.

The affordable housing sector continues to suffer as landlords work their way through the new funding regime, but we continue to support our clients and are delighted to have been included on several new housing frameworks including Broadacres, Places for People and Abbeyfield.

Schemes we are proud to have completed during 2015 included:

30 new build apartments at Howard Street, Newcastle for Home Group

Esh Construction Limited

76 new build properties at Eastbourne, Darlington for North Star Housing and Coast and Country Housing
26 new build semi detached homes at Corbridge Road, Hexham for Two Castles Housing Association
32 new build houses and 2 apartments at Glebe Road, Darlington for Fabrick Housing Group

Esh Build also completed several flagship schemes during 2015, many of which were on Teesside. The total value of the Teesside contracts amounts to over £23m in developments which form part of the regeneration of Middlesbrough's and Stockton's riversides. Examples below:

Thirteen Group Head Quarters, Stockton
£5.4m, three-storeys, 43,000 sq ft Head Quarters for this major social housing provider. Part of the £100m Northshore Riverside Regeneration Scheme, sited next to the Infinity Bridge.

STEM (Science, Technology, Engineering and Maths) Skills Centre
£7.4m, for Middlesbrough College. BREEAM 'Excellent' rating.

Boho 5, Middlesbrough
£3.3m, high quality, innovative incubator offices for Middlesbrough Council.

Fusion Hive, Stockton Innovation Centre
£5.4m, commissioned by Stockton Borough Council for University of Teesside occupancy.

Yorkshire

During 2015, we have seen increased awareness and knowledge of the Esh Brand across the Yorkshire Region. We have continued to support our Registered Social Landlord Partners during their transitional period of a new funding regime. Again, schemes we are proud to have completed have included:

2 flats and 5 houses at Sicklinghall for Yorkshire Housing
20 flats at Sevenaires in Sheffield for Guinness Housing Trust

In response to our commitment to the Yorkshire region we made structural changes to strengthen our Board of Directors. We appointed David Pratt as Divisional Director for Civils and welcomed Stuart Leslie as Divisional Director for our Commercial Build Division.

We continue to recruit apprentices whilst further investing in our existing people with key staff involved in our Future Leaders Programme. Due to our continued growth we are also investing in new office premises.

Although we have felt the loss of the Yorkshire Water Framework, we have won significant new contracts and in particular are increasing our turnover in housing infrastructure works with contracts being delivered for a broad range of clients including Persimmon, Barratt and James Homes.

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In addition other new contracts won include:

Kirstall Waste Facility
The overall aim of the client is to optimise and promote recycling. Therefore, as part of the works, an onsite 2 storey steel framed building, with brick and block skin and industrial doors, was built to house for resale second-hand items on the ground floor, with the upper floor being designed to include staff welfare facilities, associated office and breakout areas. To follow the principles and energy aspirations of the facility, Photovoltaic Panels were installed on the roofs, with associated electric car charging points positioned within the parking areas.

YORbuild Framework
Esh Construction is one of 10 regional and national contractors appointed to the new £2bn YORbuild2 Framework, with a variety of major lots in the pipeline covering construction projects ranging from £1m to over £10m in value.

The Framework is divided into four geographic regions but now has new lot structures based on project size and type, including new-build housing projects. The regional project areas extend across Yorkshire, Humberside, Nottinghamshire and Derbyshire.

York Velodrome
On behalf of client York Sports Village LLP, the York Velodrome project will see Esh start work on the exciting phase two of the outdoor Velodrome at Heslington.

North West England & Scotland
2015 saw an improved position for Esh Border Construction in Scotland with the opening of our new office in Livingston and an increase in turnover of 30%. This increase in turnover is a result of our success in securing several new prestigious projects.

Esh Border Construction was appointed by Historic Scotland to deliver the £8.9 million Engine Shed Project in Forthside, Stirling. The construction phase will see the transformation of a derelict building into a world-leading Education Centre for Building Conservation in Scotland, creating and delivering educational resources and training on traditional buildings and materials. As well as providing a centre of excellence for those already operating in the sector, it will also provide the opportunity for sharing expertise through the creation of a ‘knowledge hub’, with events, exhibitions and activities for the general public.

Our work in the housing sector continued to gain traction, winning places on several key frameworks for clients including Fusion 21, Hillcrest Housing, and City of Edinburgh Council.

We have grown our Civils operation in Scotland through the Lumsden and Carroll brand and we were delighted to be appointed to the Glasgow City Council Framework.

2016 will be a year of consolidation by the creation of a Scottish based business servicing the Scottish market whilst supported by Bowburn.

Our Networking Event in Edinburgh was very well attended and provided an excellent opportunity for our existing and potential customers to meet our Scottish team.

Esh Construction Limited

At our Meet the Buyer Event held in Livingston in November 2015, over 100 suppliers and subcontractors attended, providing us with the opportunity to strengthen existing business relationships in Scotland as well as expanding our base of suppliers, with a view to developing long-term partnerships with our supply chain.

We have continued to support our operational delivery across North West England and Scotland through our Added Value Initiatives, including donations from Esh Communities and increased participation in our Building my Skills programme.

Aaron Brunton from our Finlaysons Division was the proud winner of the Bob Wall Merit Award. It was Aaron's second award of the year – Aaron, who is studying Carpentry & Joinery at Borders College in Galashiels, was also named its 'Best Advanced Craft Carpentry & Joinery Student 2015'.

Chris Sim who works as a Quantity Surveyor out of our Livingston office, was awarded the Napier University Medal for Outstanding Achievement at his Graduation Ceremony in May 2015. Chris was top of his class, having achieved outstanding grades across all subject areas.

In the North West, the market remained relatively quiet but we continue to deliver across our market sectors and we are consolidating our position by merging our two offices at Carlisle and Kendal into one delivery office in Penrith.

During 2015 Esh Border Construction completed works on Victoria High School and Ulverston for Cumbria County Council. This £4.1m project involved the construction of an extension and the completion of internal alterations to provide a library, sixth form study area, offices and suite of special learning rooms, new main entrance and the construction of a new glazed link corridor.

We have completed several schemes in Carlisle for Lloyd Motor Group delivering new car showrooms. We continue to deliver our zero energy homes for our Trivselhus brand with new developments at Brampton and Wetheral. Key to growth in the region are Frameworks and we are pleased to have secured a place on the Capital Schemes Framework for Cumbria County Council and Housing Frameworks for Home Group, Abbeyfield and Places for People.

2015 saw Cumbria devastated by floods with many households being affected, including several homes of our own staff. To show their support for those devastated by the floods, staff from across all of our Regional Offices donated goods to the Cumbrian Flood Relief Campaign. We also worked with Carlisle United Football Club to carry out repairs to its Ground at Brunton Park. The first home game played at Brunton Park following the floods brought a sell out 17,392 capacity crowd.

Finlaysons, our Small Works Operation based in Galashiels, has had an excellent year. Both profitability and turnover have increased during 2015 and we have continued to invest in the business with improved branding and new marketing materials.

Health & Safety
Only by setting and maintaining the highest standards across the Group companies are we able to retain the trust of our clients and our people and the wider general public.

We work hard to make sure that Health and Safety Policies are well communicated, understood, respected and implemented in order that we protect the health, safety and welfare of all of our stakeholders; customers, suppliers and public alike.

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Health & Safety (continued)

We operate a proactive monitoring system on all of our sites and premises. Esh Group companies are monitored by external accreditation organisations and Esh Construction is accredited to BS OHSAS 18001 and both Esh Construction and other group companies are accredited by several other construction monitoring schemes including UVDB (Utilities Vendors Database) and CHAS (The Contractors Health and Safety Assessment Scheme).

During 2015, the Group continued with promoting its core belief of Everyone Safely Home. All Safety Documentation and Signage has been rebranded to incorporate the distinctive logo. Promotional material was distributed to all operational sites to publicise Esh Groups commitment to Health and Safety. The improved branding of the Groups Safety Department will assist in promoting a positive Safety Culture within the organisation.

Over the next 12 months Everyone Safely Home will focus on specific H&S topics, as a result of the data gathered from Near Miss Reporting and H&S incidents that occurred in 2015.

Esh Group Environmental Academy

Esh Group understands that construction activities have the potential to impact upon the surrounding environment, from its immediate neighbours to the wider environment. We recognise that well trained staff can ensure effective environmental practices, enabling impacts to be managed successfully and positively. We have developed a strategic approach to training which allows for all apprentices, office staff, site employees and contractors to receive training interventions.

Esh Group Environmental Academy ensures that all staff are fully briefed and familiar with the objectives of our energy systems ISO 14001 and ISO 50001. We have embedded our environmental and energy reduction courses within our company training needs analysis matrix. The matrix indentifies different skills and level of attainment required by various employees to ensure the necessary energy achievements are attained and maintained. Environmental Academy training is completed in an engaging and interactive online programme which includes environmental awareness for construction, waste management, energy and carbon champion courses.

This training was recognised as part of our reaccreditation to the ISO 50001 standard and will play a key role in supporting us through the changes to the ISO 14001 and 9001 standards which will require us to demonstrate increased leadership focus.

Esh Construction Limited

Principal risks and uncertainties

Market conditions within the construction industry remain stable, albeit the dynamics are quite varied across different sectors. Consequently, management remains vigilant to emerging risks and will continue to adapt the organisation to the environments in which it operates.

The Group maintains a diverse range of operations across a number of complimentary sectors, and whilst there continues to be challenges in a number of these sectors, the Board remains confident that the diversity of clients and services and the flexibility of resources within the group will maximise opportunities and enable effective management of risk within all of the sectors in which the group operates.

The principal risks faced by the Group and the action taken to mitigate these are presented in the table below. These are considered to be the most important to the future development and performance of the business.

Risk description	**How it is mitigated**
Project execution	
The Group undertakes construction, refurbishment and maintenance projects. We need to continue to deliver these within programme and match or exceed clients' requirements, profitably and within agreed financial parameters. Successful delivery of many of these projects depends on the successful implementation and maintenance of a range of operational and commercial procedures and controls.	Each business unit has defined operating procedures to address the risks inherent in project delivery. Furthermore, a well established commercial and financial risk management framework is in operation, using structured review meetings and reporting, with key risks identified early in the project delivery. We also have public indemnity cover to provide further safeguards.
Tendering	
Through our different business units we seek to win profitable work through a large number of competitive tenders and contract negotiations. This depends on our ability to price and add value in our tender offering, driven by an efficient operating model, and a clear focus on quality delivery and added value.	All bids are subject to proven, rigorous estimating and tendering processes within a defined framework, using skilled resources. We have delegated authority levels for approving all tenders and a formal tender review process. We undertake reviews following both successful and unsuccessful tenders to ensure we learn from them and apply those lessons to future tenders. Our culture of added value within the communities in which we work provides a point of differentiation from many of our competitors, producing upper quartile tender success rates.
People	
We need to recruit and retain the best management and employees. These staff should have appropriate competencies and also share our values and behaviours.	We measure all potential recruits for key roles in the organisation against a competency framework. We undertake staff appraisals to review the roles, competencies, performances and potential of personnel. We have a well-developed succession planning process to identify and develop high potential personnel to fill key roles. This process has recently been enhanced by the introduction of a Future Leaders Programme (FLP), designed to develop the leadership and organisational skills to our highlighted high potential employees. People matters are reviewed regularly and discussed at all levels within the organisation and by the Board. We have appropriate remuneration and incentive packages to help us attract and retain key employees, including employee share ownership. We also use a well connected group of recruitment consultants and advisors to ensure we connect with the best talent within the industry.
Supply chain	
We are reliant on our supply chain partners for successful operational delivery, which means we are also exposed to a	Our strategic supply chain management processes, where possible, aligns us to large, robust suppliers whose access to

variety of risks in the supply chain.	material and resources is preferred given their size and scale; a factor equally supported by our own size, regional presence and buying capacity. We develop long term relationships with our subcontractors, working closely with them to understand their operations and work with them to ensure their capacity planning can be optimised. We aim to work as much as possible with preferred suppliers and subcontractors who undergo rigorous, risk-based prequalification processes and share our values. We aim to avoid becoming over reliant on any one supplier or subcontractor.
Health and safety	
The Group works on projects which require continuous monitoring and management of health and safety risks.	The Group has a highly developed health, safety and environmental process. This process is underpinned by documented procedures and working practices. Policy is set by the Board, and cascaded through the organisation via a team of dedicated health and safety professionals, who continually audit and review on site operations for compliance, as well as liaising with external verification bodies. Accident frequency rates remain well below the industry average. Health and safety remains the first agenda item at all board meetings, and is a critical focus for all directors.
Regulatory, market and economic	
The Group operates in markets and segments that are influenced by a range of external factors. The resilience and performance of the construction sector, and the housing market in particular, is at risk from regulatory change, political change and the impact of monetary policy and financial system regulation.	The Group maintains a diversified portfolio of operating activities, some of which behave in a counter cyclical manner, and most of which are aligned to well funded, blue chip client bases. The housing market remains stable, but continues to be underpinned by favourable political support and monetary policy, thereby implying risk should these positions change. Whilst a reasonable proportion of the group is associated with the housing market, we have considerably de-leveraged our association with the sector from where it was before the recession.
Business process and IT systems	
To continue to expand the business the Esh Group acknowledge that information and associated technology must be robust and meet business needs. The current legacy systems and architecture require replacement.	Project Gateway is an Esh Group business transformation project to put in place a new integrated business management system and robust IT infrastructure for the future.

Key performance indicators

Analysis of key performance indicators reported to the Board and staff at frequent and regular intervals is included in the Strategic report.

Future developments

The board continues to carefully monitor market dynamics within the construction sector and whilst at present conditions appear generally stable, certain sectors have individual challenges that have the potential to impact upon performance. Consequently, the board remains focussed upon maintaining a well balanced portfolio of operations spanning multiple segments of the market, maintaining positive cash flow and strong liquidity, investing in our people and driving the continuous improvement of process, systems and technology.

Signed on behalf of the Board
A E Radcliffe
Director
5th August 2016

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF

Esh Construction Limited

Directors’ report

The directors present their directors’ report and audited consolidated financial statements for the year ended 31 December 2015.

Financial instruments
The Group’s financial instruments comprise borrowings (principally obligations under finance leases) share capital, cash, and various items arising directly from operations (such as trade debtors, trade creditors etc).

The finance lease obligations total £2.0m (2014: £2.6m) and are at fixed interest rates. The Group’s cash balance of £11.2m (2014: £23.4m) carries interest at variable rates but the levels of interest receivable are not significant to this group’s results because interest accrues to Esh Holdings Limited as a result of the group banking facility.

Financial instrument risks are managed at the Esh Group level, and further details can be obtained from the Esh Holdings Limited financial statements.

Dividends
Dividends paid during the year comprise an interim dividend in respect of the year ended 31 December 2015 of £5,400,000 (2014: £1,500,000).

The directors have not proposed a final dividend in respect of the current financial year.

Result for the year
The result for the year is set out in the Strategic report.

Directors
The directors who held office during the year and up to the date of signing the financial statements were as follows:

JP Davies
D Halfacre
A Law
S Leadbitter
B Manning
G Morgan
AE Radcliffe
D Thompson
C Walker (resigned 16 October 2015)
P Watson
ST Wilkie
A Gawthope
S Phillips

Employees
The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group’s policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Employees (continued)
The Group is firmly committed to the principles of employee involvement. A range of briefing and consultation arrangements have been developed in all parts of the Group and these are subject to continued review and improvement.

Political contributions
Neither the Company nor any of its subsidiaries made any political contributions or incurred any political expenditure during the year.

Statement of directors' responsibilities
The directors are responsible for preparing the strategic report and 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 they have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Esh Construction Limited

Directors' report (continued)

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board,

A E Radcliffe
Director
** *** 2016

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF

Esh Construction Limited

Independent auditors' report to the members of Esh Construction Limited

Report on financial statements

Our opinion

In our opinion, Esh Construction Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company balance sheet as at 31 December 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of changes in equity for the year then ended;
- the Statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors’ remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors’ remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors’ Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Esh Construction Limited (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
5 August 2016

Esh Construction Limited

Consolidated statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Turnover	1	**252,516**	253,114
Attributable to continuing operations		**252,516**	237,357
Attributable to acquisitions		**-**	15,757
Cost of sales		**(233,669)**	(231,596)
Gross profit		**18,847**	21,518
Administrative expenses		**(13,910)**	(12,564)
Operating profit		**4,937**	8,954
Attributable to continuing operations		**4,937**	9,106
Attributable to acquisitions		**-**	(152)
Interest receivable and similar income	5	**1**	14
Interest payable and similar charges	6	**(70)**	(68)
Profit on sale of fixed assets		**61**	229
Profit on ordinary activities before taxation	2	**4,929**	9,129
Tax on profit on ordinary activities	7	**(1,106)**	(1,847)
Profit for the financial year	18	**3,823**	7,282
Other comprehensive income		-	-
Total comprehensive income for the year		**3,823**	7,282

The group had no other comprehensive income during the current or preceding year other than that reflected in the consolidated statement of comprehensive income.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Esh Construction Limited

Consolidated balance sheet as at 31 December 2015

	Note		**2015**		2014
		£'000	**£'000**	£'000	£'000
Fixed assets					
Goodwill	9		**33**		59
Negative goodwill	9		**-**		(1,392)
Tangible assets	10		**4,626**		5,241
			4,659		3,908
Current assets					
Stocks	12	**1,256**		1,833	
Debtors	13	**44,571**		41,173	
Cash at bank and in hand		**11,225**		23,402	
		57,052		66,408	
Creditors: amounts falling due within one year	14	**(42,350)**		(48,817)	
Net current assets			**14,702**		17,591
Total assets less current liabilities			**19,361**		21,499
Creditors: amounts falling due after more than one year	15		**(818)**		(1,379)
Net assets			**18,543**		20,120
Capital and reserves					
Called up share capital	17		**978**		978
Profit and loss account	18		**17,565**		19,142
Total shareholders' funds			**18,543**		20,120

These financial statements on pages 15 to 40 were approved by the board of directors on ** *** 2016 and were signed on its behalf by:

J P Davies
Director

Company registered number: 02529939

Esh Construction Limited

Company balance sheet as at 31 December 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Intangible assets	9		**-**		-
Tangible assets	10		**4,115**		4,449
Investments	11		**1,500**		1,500
			5,615		5,949
Current assets					
Stocks	12	**306**		475	
Debtors	13	**46,509**		38,187	
Cash at bank and in hand		**11,713**		22,657	
		58,528		61,319	
Creditors: amounts falling due within one year	14	**(44,823)**		(45,703)	
Net current assets			**13,705**		15,616
Total assets less current liabilities			**19,320**		21,565
Creditors: amounts falling due after more than one year	15		**(818)**		(1,379)
Net assets			**18,502**		20,186
Capital and reserves					
Called up share capital	17		**978**		978
Profit and loss account	18		**17,524**		19,208
Total shareholders' funds			**18,502**		20,186

These financial statements in pages 15 to 40 were approved by the board of directors on ** *** 2016 and were signed on its behalf by:

J P Davies
Director

Company registered number: 02529939

Consolidated statement of changes in equity for the year ended 31 December 2015

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2014	978	13,360	14,338
Profit for the financial year	-	7,282	7,282
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	7,282	7,282
Dividends	-	(1,500)	(1,500)
Balance at 31 December 2014	978	19,142	20,120
Profit for the financial year	-	3,823	3,823
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	3,823	3,823
Dividends	-	(5,400)	(5,400)
Balance at 31 December 2015	978	17,565	18,543

Esh Construction Limited

Company statement of changes in equity for the year ended 31 December 2015

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2014	978	13,265	14,243
Profit for the financial year	-	7,443	7,443
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	7,443	7,443
Dividends	-	(1,500)	(1,500)
Balance at 31 December 2014	978	19,208	20,186
Profit for the financial year	-	3,716	3,716
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	3,716	3,716
Dividends	-	(5,400)	(5,400)
Balance at 31 December 2015	978	17,524	18,502

Esh Construction Limited

Statement of accounting policies

Statement of compliance and general information
The Company is limited by shares and is incorporated in the United Kingdom. The registered address is Esh House, Bowburn North Industrial Estate, Durham, DH6 5PF. These financial statements have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’) and the Companies Act 2006.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 January 2014. Details of the transition to FRS 102 are disclosed in Note 24.

As the company is a wholly owned subsidiary of Esh Holdings Limited, the company has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company’s shareholders.

The Company has taken advantage of the following exemptions:

i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and a parent company consolidated statement of cash flows includes the Company’s cash flows;
ii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv);

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. The merger accounting principles have been adopted. Under this method the companies, businesses and assets comprising the Esh Construction Limited Group are presented as if they had been part of this Group from the date on which they joined the Esh Holdings Limited group. This basis of accounting has been adopted in order to present a true and fair view.

As part of a group reorganisation agreement dated 23 December 2010 Esh Holdings Limited transferred its shares in Dunelm Property Services Limited (previously a fellow subsidiary undertaking) to Esh Construction Limited. The consideration for this transfer was left on inter-company account.

As part of this reorganisation, the transfer of shares was not on terms that meet the requirements of Schedule 6 paragraph 10 of the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports Regulations 2008 (SI 2008 No. 410)). Consequently, FRS 102 requires that acquisition accounting principles should be used in respect of this transaction and that the assets and liabilities of the companies involved should be presented at fair value and to recognise any resulting goodwill.

Esh Construction Limited

Statement of accounting policies (continued)

Basis of consolidation (continued)
The directors consider that to apply acquisition accounting to any part of the reorganisation would fail to give a true and fair view of the Group's state of affairs or results for shareholders as the ultimate shareholders remain the same before and after the reorganisation. Had this departure not been necessary the effect on these financial statements would have been to consolidate the financial statements of the subsidiary undertakings based on the fair values of the related assets and liabilities at 23 December 2010. Owing to the number and complexity of transactions involved, it is not practicable to quantify the effect of this departure.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Going concern
The Group and Company meets its financing requirements through its cash resources and debt associated with finance leases. The Company also has balances with other companies in the group headed by Esh Investments Limited.

The Company is subject to a cross guarantee banking arrangement with its immediate parent undertaking, Esh Holdings Limited, and certain other group undertakings. Dunelm Homes Limited (a fellow subsidiary undertaking) does not form part of this cross guarantee banking arrangement. Detailed information regarding the financial position of the group headed by Esh Investments Limited, its cash flows, liquidity position and borrowing facilities are included in the financial statements of Esh Investments Limited, which can be obtained from Companies House.

The group headed by Esh Holdings Limited recorded an operating profit of £8.6m in 2015 and had net assets at 31 December 2015 of £43.8m including cash of £29.1m.

The group headed by Esh Holdings Limited trades with a large number of customers and suppliers across a number of sectors and expects to meet its day to day working capital requirements through its existing considerable cash reserves and ongoing trade which remains profitable.

After making detailed enquiries and taking into account the factors discussed above, the Board is confident that the Company and the Group headed by Esh Construction Limited has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statements on a going concern basis.

Goodwill
Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation in respect of acquisitions in the year is included within fixed assets and released to the profit and loss accounts in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Esh Construction Limited

Statement of accounting policies (continued)

Investments
In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Tangible fixed assets and depreciation
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by instalments over their estimated useful economic lives as follows:

Freehold property	-	4% per annum straight line
Plant and machinery	-	20% reducing balance and 33% straight line
Fixtures, fitting and equipment	-	33% straight line
Motor vehicles	-	30% reducing balance

No depreciation is provided on freehold land.

Government grants
Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful lives of the assets to which they relate.

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks
Stocks are stated at the lower of cost and estimated selling price less cost to complete and sell. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the consolidated statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the consolidated statement of comprehensive income.

Long term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be estimated reliably as per paragraph 23.14 of FRS 102. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Turnover includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion of contracts is assessed by reference to completion of a physical proportion of the contract work. Provision is made for any losses as soon as they are foreseen.

Statement of accounting policies (continued)

Long term contracts (continued)
Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Dividends
Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Turnover
Turnover is measured at the fair value of consideration received or receivable net of discounts and VAT, provided that it can be measured reliably.

Turnover on long term contracts is recorded at cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years, as set out in the accounting policy for long term contracts.

Turnover on short term contracts is recognised when the contract is completed.

Turnover from services is recognised when the service has been performed.

Statement of accounting policies (continued)

Classification of financial instruments issued by the Group
Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations.

Critical accounting judgements and key source of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 addressed below:

(i) Turnover recognition
The Group's turnover recognition policies, which are set out above, are central to the way the Group values the work it has carried out in each financial year and have been consistently applied. These policies require forecasts to be made of the outcomes of long-term construction and service contracts, which require assessments and judgements to be made on changes in work scopes, contract programmes and maintenance liabilities.

(ii) Long term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Turnover includes the initial amount agreed in the contract plus any variations in contracted work, to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion of a contract is assessed by reference to completion of a physical proportion of the contract work. Provision is made

for any losses as soon as they are foreseen.

Notes to the financial statements for the year ended 31 December 2015

1 Turnover

All turnover arises in the United Kingdom from the following activities:

	2015	2014
	£'000	£'000
Construction	**178,540**	165,960
Property services	**73,976**	87,154
	252,516	253,114

2 Profit on ordinary activities before taxation

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible assets:		
Owned assets	**530**	495
Leased assets	**590**	695
Amortisation of goodwill	**26**	26
Negative goodwill on acquisition of Border Construction	**(1,392)**	(885)
Hire of plant and machinery - operating leases	**11,828**	11,491
Hire of other assets – operating leases	**1,408**	1,475

Auditors' remuneration

	2015	2014
	£'000	£'000
Audit of these financial statements	**102**	77
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**-**	19

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Remuneration of directors

	2015	2014
	£'000	£'000
Directors' emoluments	**916**	680
Company contributions to money purchase pension schemes	**69**	34
	985	714

The aggregate of emoluments of the highest paid director were £201,742 (2014: £181,473) and company pension contributions of £1,410 (2014: £1,201) were made to a money purchase scheme on his behalf.

	Number of directors	
	2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**6**	6

4 Staff numbers and costs

The average monthly number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Production staff	**433**	456
Administrative staff	**417**	420
	850	876

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£'000	£'000
Wages and salaries	**32,850**	29,163
Social security costs	**3,332**	2,997
Other pension costs (note 21)	**893**	741
	37,075	32,901

Notes to the financial statements
for the year ended 31 December 2015 (continued)

5 Other interest receivable and similar income

	2015	2014
	£'000	£'000
Interest receivable from group undertakings	**1**	14

6 Interest payable and similar charges

	2015	2014
	£'000	£'000
Finance charges payable in respect of finance leases and hire purchase contracts	**70**	68

7 Tax on profit on ordinary activities

Analysis of charge in year:

	2015	2014
	£'000	£'000
UK corporation tax		
Current tax on profit for the financial year	**967**	1,916
Adjustments in respect of prior periods	**59**	(40)
Total current tax	**1,026**	1,876
Deferred tax (see note 16)		
Origination/reversal of timing differences	**81**	(29)
Effect of decreased tax rate	**(1)**	-
Total deferred tax	**80**	(29)
Tax charge on profit on ordinary activities	**1,106**	1,847

Notes to the financial statements for the year ended 31 December 2015 (continued)

7 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current year
The tax charge for the year is higher (2014: lower) than the standard rate of corporation tax in the UK 20.25% (2014: 21.49%). The differences are explained below:

	2015	2014
	£'000	£'000
Current tax reconciliation		
Profit on ordinary activities before taxation	**4,929**	9,129
Current tax at 20.25% (2014: 21.49%)	**998**	1,871
Effects of:		
Expenses not deductible for tax purposes	**16**	25
Capital allowances for the year in excess of depreciation	**(9)**	(94)
Utilisation of tax losses	**-**	237
Tax rate changes	**42**	-
Other timing differences	**-**	(17)
Group relief paid for at less than full UK tax rate	**-**	(135)
Adjustments in respect of prior periods	**59**	(40)
Total current tax charge (see above)	**1,106**	1,847

Tax rate changes
A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

8 Dividends

The aggregate amount of dividends comprises:

	2015	2014
	£'000	£'000
Interim dividends paid in respect of the current year	**5,400**	1,500

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £5,400,000 (2014: £1,500,000).

9 Intangible assets

Group

	Negative goodwill	**Goodwill**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2015	(2,277)	510	(1,767)
Additions	-	-	-
At 31 December 2015	**(2,277)**	**510**	**(1,767)**
Accumulated amortisation			
At beginning of year	(885)	451	(434)
Charged in year	(1,392)	26	(1,366)
At end of year	**(2,277)**	**477**	**(1,800)**
Net book value			
At 31 December 2015	**-**	**33**	**33**
At 31 December 2014	(1,392)	59	(1,333)

Notes to the financial statements
for the year ended 31 December 2015 (continued)

9 Intangible assets (continued)

Negative goodwill arose on the acquisition of Border Construction Limited during the prior year.

Goodwill of £251,000 arose on the acquisition of Wilkinson Facilities Services Limited on 31 May 2007. This is being amortised over 10 years which is the period over which the directors consider that the Group will derive continuing economic benefit.

Goodwill of £259,000 arose on the group acquisition of Stephen Easten Building Limited on 31 May 2006 and was fully amortised in the year of acquisition.

Company

	Goodwill
	£'000
Cost	
At beginning and end of year	**757**
Accumulated amortisation	
At beginning of year	757
Charged in year	-
At end of year	**757**
Net book value	
At 31 December 2015	**-**
At 31 December 2014	-

The goodwill arises in the Company on the acquisition of the trade and net liabilities of Stephen Easten Building Limited on 31 August 2009.

Notes to the financial statements for the year ended 31 December 2015 (continued)

10 Tangible assets

Group

	Freehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2015	523	5,401	436	3,754	10,114
Additions	18	847	50	67	982
Disposals	-	(453)	(8)	(1,565)	(2,026)
At 31 December 2015	**541**	**5,795**	**478**	**2,256**	**9,070**
Accumulated Depreciation					
At 1 January 2015	19	2,208	333	2,313	4,873
Charge for year	11	691	46	372	1,120
On disposals	-	(355)	(8)	(1,186)	(1,549)
At 31 December 2015	**30**	**2,544**	**371**	**1,499**	**4,444**
Net book value					
At 31 December 2015	**511**	**3,251**	**107**	**757**	**4,626**
At 31 December 2014	504	3,193	103	1,441	5,241

Included in the total net book value is £3,156,254 (2014: £3,311,008) relating to assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £590,070 (2014: £694,794).

Notes to the financial statements for the year ended 31 December 2015 (continued)

10 Tangible assets (continued)

Company

	Freehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2015	12	5,222	245	3,488	8,967
Additions	-	952	75	129	1,156
Disposals	-	(453)	-	(1,307)	(1,760)
At 31 December 2015	**12**	**5,721**	**320**	**2,310**	**8,363**
Accumulated Depreciation					
At 1 January 2015	12	2,174	183	2,149	4,518
Charge for year	-	652	30	349	1,031
On disposals	-	(356)	-	(945)	(1,301)
At 31 December 2015	**12**	**2,470**	**213**	**1,553**	**4,248**
Net book value					
At 31 December 2015	**-**	**3,251**	**107**	**757**	**4,115**
At 31 December 2014	-	3,048	62	1,339	4,449

Included in the total net book value is £3,156,254 (2014: £3,311,008) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £590,070 (2014: £694,794).

11 Investments

Company

	Shares in group undertakings
	£'000
Cost and net book value	
At beginning and end of year	**1,500**

Notes to the financial statements for the year ended 31 December 2015 (continued)

11 Investments (continued)

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

Subsidiary undertaking	Class and percentage of shares held	Nature of business
Stephen Easten Building Limited	100% Ordinary	Commercial builder
Border Construction Limited[1]	100% Ordinary	Civil engineering and building contractor
Border Construction (Holdings) Limited	100% Ordinary	Civil engineering and building contractor
Lumsden & Carroll Construction (Northern) Limited	100% Ordinary	Commercial builder
Dunelm Property Services Limited	100% Ordinary	Housing construction and refurbishment
Wilkinson Facilities Services Limited[1]	100% Ordinary	Building and maintenance services
Esh MWH Limited	50% Ordinary	Civil engineering
Dunelm National Projects Limited[1]	100% Ordinary	Property development
David Wilkinson Building Contractors[1]	100% Ordinary	Dormant

[1]*Investment held indirectly*

All companies are incorporated in England except for Border Construction (Holdings) Limited which is registered in Scotland.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

12 Stocks

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**1,256**	1,833	**306**	475

The amount of stock recognised as an expense during the year was £1,891,000 (2014: £1,149,000).

Notes to the financial statements for the year ended 31 December 2015 (continued)

13 Debtors

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade debtors	**8,089**	10,237	**7,866**	9,133
Amounts recoverable on contracts	**29,152**	27,314	**28,990**	24,214
Amounts owed by group undertakings	**4,720**	1,830	**7,043**	3,572
Amounts owed by undertakings in which the ultimate parent company has a participating interest (note 22)	**431**	140	**431**	140
Deferred tax asset (note 16)	**400**	480	**400**	24
Other taxation	**522**	-	**522**	-
Other debtors	**4**	35	**4**	32
Prepayments and accrued income	**1,253**	1,137	**1,253**	1,072
	44,571	41,173	**46,509**	38,187

An element of the deferred tax asset is expected to be recovered over more than one year.

Amounts owed by group undertakings do not bear interest and are not secured.

Notes to the financial statements for the year ended 31 December 2015 (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Obligations under finance leases and hire purchase contracts (note 15)	**1,214**	1,235	**1,214**	1,235
Payments received on account	**3,411**	181	**3,411**	-
Trade creditors	**8,150**	9,713	**8,150**	9,354
Amounts owed to group undertakings	**959**	1,850	**3,515**	3,987
Amounts owed to undertakings in which the ultimate parent company has a participating interest (note 22)	**1**	19	**1**	19
Corporation tax	**1,026**	1,876	**1,024**	1,873
Other taxation and social security	**1,531**	1,800	**1,531**	1,531
Other creditors	**523**	1,318	**523**	1,121
Accruals and deferred income	**25,535**	30,825	**25,454**	26,583
	42,350	48,817	**44,823**	45,703

Amounts owed to group undertakings do not bear interest and are not secured.

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Obligations under finance leases and hire purchase contracts	**818**	1,379	**818**	1,379

15 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	£’000	£’000	**£’000**	£’000
Within one year	**1,255**	1,291	**1,255**	1,291
In the second to fifth years	**832**	1,406	**832**	1,406
	2,087	2,697	**2,087**	2,697
Less future finance charges	**(55)**	(83)	**(55)**	(83)
	2,032	2,614	**2,032**	2,614

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

16 Deferred taxation

	Group	Company
	£’000	**£’000**
At beginning of year – asset	480	24
Transfer from group companies	-	405
Charge to the profit and loss for the year	(80)	(29)
At end of year – asset	**400**	**400**

The elements of deferred taxation are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	£’000	£’000	**£’000**	£’000
Differences between accumulated depreciation and capital allowances	**3**	36	**3**	(5)
Other timing differences	**33**	41	**33**	-
Losses	**364**	403	**364**	29
Deferred tax asset	**400**	480	**400**	24

Notes to the financial statements for the year ended 31 December 2015 (continued)

17 Called-up share capital

	2015		2014	
	Number of shares	**£000**	Number of shares	£000
Authorised, Allotted, called up and fully paid				
Ordinary shares of £1 each	**978,150**	**978**	978,150	978

18 Profit and loss account

Group

	£'000
At 1 January 2015	19,142
Profit for the financial year	3,823
Dividends on shares classified in shareholders' funds	(5,400)
At 31 December 2015	**17,565**

Company

	£'000
At 1 January 2015	19,208
Profit for the financial year	3,716
Dividends on shares classified in shareholders' funds	(5,400)
At 31 December 2015	**17,524**

Notes to the financial statements for the year ended 31 December 2015 (continued)

19 Contingent liabilities

The Company and Group are party to a group composite arrangement with certain of the companies in the Esh group under which overdrafts and cash can be offset. The total group liability and group overdraft at the year end was £6.1M (2014: £4.1m). The composite arrangement does not include Dunelm Homes Limited which has its own discrete banking arrangements.

20 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2015	2014
	£'000	£'000
Group and Company		
Contracted	**530**	54

(b) Annual commitments under non-cancellable operating leases are as follows:

	Other		**Land and buildings**	
	2015	**2014**	**2015**	2014
	£'000	**£'000**	**£'000**	£'000
Group and Company				
Operating leases which expire:				
Within one year	**44**	-	**148**	25
In the second to fifth years inclusive	**702**	240	**-**	20
	746	240	**148**	45

Notes to the financial statements
for the year ended 31 December 2015 (continued)

21 Pension scheme

Group
The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £893,000 (2014: £668,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

22 Related party disclosures

	Sales		Purchases		Debtors		Creditors	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Participating interests								
Esh Space The Park Ltd	**5**	1	**-**	-	**2**	41	**-**	-
Prestige Exclusive Homes Ltd	**1,187**	131	**-**	-	**427**	131	**-**	-
Micropump (NE) Ltd	**11**	22	**31**	38	**-**	25	**-**	6
	1,203	154	**31**	38	**429**	197	**-**	6
Fellow subsidiaries								
Mechplant (North East) Ltd	**98**	95	**1,527**	1,220	**39**	18	**302**	233

Participating interests represent companies in which the ultimate parent company, Esh Holdings Limited, holds a participating interest.

Mechplant (North East) Ltd is a subsidiary of Esh Holdings Limited, with 80% of the voting rights controlled within the Esh Group.

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Esh Investments Limited, the ultimate parent company incorporated in England and Wales. The immediate parent company is Esh Holdings Limited.

The largest group in which the results of the Company are consolidated is that headed by Esh Investments Limited, and the smallest group is that headed by Esh Holdings Limited, both incorporated in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Companies House.

The directors do not consider there to be an individual ultimate controlling party.

Notes to the financial statements for the year ended 31 December 2015 (continued)

24 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. FRS 102 has been adopted by the Company for year ended 31 December 2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 is 1 January 2014. No adjustments have been noted upon transition.

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