Esh Construction Limited Annual Report & Financial Statements

for the year ended 31 December 2020

Registered Number 02529939

Esh Construction Limited

Annual report and financial statements

for the year ended 31 December 2020

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Esh Construction Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

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

Overview

The events of 2020 were thrust upon us in the most dramatic manner. Understanding what steps were required to secure the business as we ventured into the unknown was carried out at breakneck speed. Whilst the initial stages of these events were challenging, we are fortunate to have a leadership team that is skilled and experienced in crisis management, and so set about putting in place immediate measures to respond to the situation as it unfolded. Key steps taken included the following :

1. Safe and controlled close down of construction sites as lock down restrictions were imposed
2. Engaging closely with clients to understand their immediate requirements, and establish which elements of our work ought to carry on due to their critical nature. Our work with Northumbrian Water Group fell quickly into this category.
3. Establishing core business controls to ensure the continued flow of essential transactions
4. Quickly leveraging our recent investment in technology to initiate remote working
5. Establishing robust and frequent communication channels with employees, clients and suppliers
6. Assessing key support programmes established by the Government and HMRC
7. Engaging with our funders and underwriters to ensure adequate flexibility

Whilst these measures were implemented in full, it quickly became apparent that we would benefit significantly from the work carried out to restructure the business over the previous 3 years. In an almost serendipitous twist of fate, the fact that our business was now much simpler, leaner and laser focussed on segments of the construction market that were showing incredible resilience, we found ourselves in a position of strength, and ready to power out of the lock down as restrictions started to ease.

We worked intensively over a period of 3 months to ready ourselves to re-open operations, focussing on :-

1. Covid safe operations, leveraging our industry leading Health and Safety culture
2. Remote working protocols, using all available technology
3. Detailed financial planning to understand working capital needs through the lock down and re-opening cycle
4. Frequent and comprehensive communications with clients, suppliers, colleagues and wider stakeholders as our plans for reopening developed

These measures, in effect, allowed us to get back to almost full production early to mid quarter 3 of 2020.

This was a tremendous effort from the entire team at Esh, who throughout ensured the highest level of covid safety compliance, which fortunately led to a low incidence rate of infection amongst our colleagues; at the core of all of our thinking was ensuring our people remained safe and healthy.

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Of course, as we write, the battle is not yet won. Covid continues to be a daily challenge for the business, with contract start delays, challenges amongst our supply chains due to the need to isolate, and a (thankfully small) number of contracts in our tender pipeline being put on ice.

Latterly, our challenges have centred around material supply. We, like all other construction businesses, have endured a period of rapid and frequent input cost inflation, combined with shortage issues not seen for many years. A number of factors are at play, with Covid being a major contributor, but also rapid rises in global demand, some Brexit related issues, and a massive resurgence in construction related demand on the back of government incentives and a renewed appetite amongst developers and local authorities. We expect these challenges to remain until the end of 2021 at the earliest, with our efforts to mitigate the impact centred upon seeking to pass cost increases through where possible, alongside leveraging our loyal and supportive supply chains, who have enjoyed one of the best payment profiles in our industry before, during and also as we emerge from this pandemic.

This payment ability has been created following a comprehensive restructuring of our balance sheet. Over the last 3 years, we have systematically dismantled and then rebuilt the balance sheet through the :

1. Reduction in non-core plant and machinery assets
2. Improvement in receivable days through tackling aged debts and overdue retentions.
3. Full paydown of all outstanding credit lines and bank liabilities to become net cash positive

Our balance sheet is now more liquid than it has been for many years, and whilst we continue to rationalise some of our remaining non-core operations, we are now largely complete in this area of our restructuring programme, and are ready to use the strength in our business model and our balance sheet to support the next stage of our strategic plan.

Strategy Update

We are now moving from the restructuring phase of our strategic plan to the growth phase. The foundations for this strategy were laid whilst we were carrying out the overall restructuring of the business. Our now rationalised business structure is centred around 3 operating divisions

1. Civil engineering services to the Utilities, Private Housing and General Infrastructure sectors
2. New construction and maintenance services to the Commercial and Social Housing sectors
3. Private housing development

All of the above will be delivered in a more confined Geography spanning from South Yorkshire to Northumberland, and almost exclusively on the east side of the Pennines.

This is a dramatic change from the complex and sprawling organisation structure of the past. This business model, aligned with a simpler management structure, is permitting a much more targeted business development strategy that is already paying dividends.

Our 7 point strategic plan focuses on the following :-

1. Targeted growth

   By sticking to our core competencies, and within our confined geography, we will drive a modest growth in turnover, but with a firm grip on the risk/reward equation in tenders and land bids, will target continuous margin expansion. The most significant driver of this will be an increase in the proportion of revenues secured via ‘land led’, framework appointed and partnership-based contracts. We will also maintain a manageable balance of revenues from both cyclical and non-cyclical sectors, ensuring a reasonably consistent revenue stream throughout the economic cycle.

2. Quality

With a relentless attention to operational quality control, we will focus on ‘right first time’, reducing remedial cost and so improve customer satisfaction to drive a higher proportion of repeat business. Development of robust and reliable supply chain partnerships will be a key component of this strategy

3. Operational Efficiency

Through a controlled increase in the overall size of our contracts, we will leverage our operational infrastructure and scale to drive cost efficiency throughout our operations. Continuous improvement in programme management and quality control, along with an efficient back office infrastructure utilising the latest technology, will drive to a lean overall cost structure.

4. Capital efficiency and Financial Stewardship

We will continue to focus on short term working capital lock up across the business through effective management processes. We will ensure robust and effective financial controls that drive a deep understanding of our working capital cycles and ensure we maintain a healthy balance of liquidity and investment for growth

5. Social Value

We will leverage our industry leading social and economic value systems and processes to enhance our competitive position and to drive repeat business in our core geographies through our 4 point ***LOCAL*** agenda :

1. Employing Local
2. Buying Local
3. Educating Local
4. Engaging Local

Our commitment to local supply chains will be a key part of this strategy, as we develop long term mutually beneficial partnerships with key suppliers, underpinned by our industry leading payment profile

6. Talent and Skills

We will focus on attracting and retaining the best talent we can find. Through active development, succession planning, talent management and reward processes, we will strive to be an employer of choice in our core market segments.

7. Health, Safety and Environment

> We will maintain our laser focus on health and safety standards, utilising industry leading processes and controls to embed a 'never relax' culture on all of our sites. We will also play our part towards 'net zero' through the application of low carbon materials, solutions and processes in our bids and projects, whilst continuing to seek low carbon opportunities in all of our operations.

We firmly believe that meticulous execution of this strategic agenda will delight our customers with a quality and service level that is 'gold standard' and so we will become the contractor and developer of choice in our operating geographies, with the ultimate goal of delivering strong growth in profitability and liquidity.

The Market

We have deliberately pointed the business to segments of the market that demonstrate the following features :-

1. Have resilience and/or counter cyclical behaviour over the economic cycle
2. Have a strong political / fiscal agenda that is unlikely to change over the medium term
3. Are not over congested
4. Play to our core strengths and differentiators

This strategy has played out well during the pandemic, and as such, our market segments are showing strong signs of not only recovery, but considerable growth

Utilities

Our strategic partnership with Stantec Inc for provision of services to Northumbrian Water Group continues to grow in strength. With ongoing investment in the maintenance and enhancement of the waste water network across the North East and Teesside, steady growth is expected from this segment

Local Authorities

Capital investment by local authorities is on an upwards trajectory, with the 'levelling up' agenda set to drive investment in housing, facilities and infrastructure to a level not seen for over a generation. Our position on key procurement frameworks will position the business to enjoy a healthy level of participation in this segment.

Private Housing

The private housing market has seen a resurgence in the latter part of the pandemic, with many homeowners looking for more space following the confinement imposed by the lock downs. Government stimulus, a supply/demand equation that continues to be imbalanced and loose monetary policy set to keep borrowing rates low and affordability achievable, look set to sustain this market over the medium term, setting up both our civils and private housing business for future success.

Affordable Housing

With a huge government investment programme underway, and a clear ambition to dramatically increase the UK's stock of affordable housing over the next several years, this market has strong long term fundamentals. Our ability to provide 'land led' solutions for registered providers will drive a less competitive route to this market segment, thereby reducing the risk profile for both our business and our clients. Whilst land availability is increasingly scarce, our long-standing development credentials are providing a solid pipeline of opportunities.

Other Market Factors

Whilst our markets are demonstrating strong demand side characteristics, at the time of writing, the aforementioned supply side constraints are persisting. Our long-standing supply chain relationships are mitigating in part, but these constraints will quickly become a limiting factor in the industry's ability to satisfy overall demand levels. It is expected that a number of these constraints will subside in the latter part of 2021, with the backdrop for 2022 expected to be calmer and less volatile. Furthermore, it is expected that any ongoing Brexit related issues will eventually dissipate over the remaining period of 2021 and into 2022.

Key performance indicators

	2020	2019
Turnover (from continuing operations)	**£213.3m**	£192.0m
Turnover decrease /increase (from continuing operations)	**11.1%**	15.2%
Gross profit margin (from continuing operations)	**4.3%**	7.3%
Administrative expenses (from continuing operations)	**£10.0m**	£10.3m
(Loss)/Profit before taxation (from continuing operations)	**(£1.1m)**	£3.2m
Cash at bank and in hand	**£12.3m**	£11.1m

Business Review

The loss in the year was heavily influenced by the near 3 months shutdown due to the immediate impact of the onset of the pandemic, followed by ongoing cost and productivity challenges as our operations adapted to working under the restrictions required for Covid secure working. It is difficult to assess the absolute cost of the pandemic on the business. Whilst some of our payroll cost was offset by financial support from the Government's furlough scheme, our use of this scheme was largely terminated by the end of the 2nd quarter. Our broad assessment of the impact of the pandemic on our 2020 earnings is in excess of £6m, through a combination of lost contribution from the temporary cessation of production, increased production costs, programme delays and additional operating costs to support health compliance on site.

Continuing operations reported an in-year loss before tax of (£1.1m) on turnover of £204.8m. The final costs associated with the close out of our operations in Scotland and the North West result in losses in discontinued operations of (£0.8m), and an overall operating profit of (£1.9m).

Cash at bank closed the year at a strong £12.3m. This is increased on 2019, due to further turnover driven growth in working capital.

In the year the group was able to refinance onto a flexible £9.2m asset backed facility and Esh Construction has access to these funds should they be required.

Closing Net Assets were £12.0m of which £12.3m was in cash.

Future Developments - Financial Year 2021 Outlook

Whilst at the time of writing, the global pandemic is far from over, the Board is pleased with the way the business has adapted to working in what has become the 'new normal' As we entered 2021, we did so with a record order book approaching £300m, a strong level of liquidity, and a business strategy that on all measures is working well.

The group has recorded strong profitability through the 1st and 2nd quarters of 2021, and whilst the aforementioned headwinds associated with materials and resources continues, the Board expect this level of profitability to continue for the remainder of the year.

These factors provide a solid foundation for ongoing growth in both profitability and liquidity, and the Board look forward to continued success into 2022 and beyond.

Principal risks and uncertainties

The construction industry is exposed to numerous risks and challenges, and with the added dimension of the global pandemic, management remains vigilant to risks and will continue to adapt the organisation to the environments in which it operates.

The board is confident that the now rationalised and more focussed business model, combined with a set of business activities that are both diverse enough, but similarly complimentary, will enable effective management of risk across 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 programmes 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. The group has also increased the amount of turnover that is secured via ‘land led’, directly negotiated or 2-stage tender routes, which significantly reduces the risks and challenges associated with pure competitively tendered projects
People	
We need to recruit and retain the best management and employees. These members of 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. 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. 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 variety of risks in the supply chain.	Our strategic supply chain management processes, where possible, aligns us to large, robust suppliers whose access to 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.

Risk description	How it is mitigated
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.
Business process and IT systems	
To continue to expand the business, Esh Group acknowledge that information and associated technology must be robust and meet business needs.	The group has recently made significant investments in technology that as has brought together a number of disparate processes, as well as driving greater use of digital tools to make the entire ‘order to cash’ process more integrated. This investment is expected to provide a sufficient operating platform for the group to achieve its business objectives
Business is Curtailed by COVID 19	
COVID 19 forces the business to operate inefficiently, projects to be cancelled and sites closed due to government enforcements.	Whilst the global pandemic continues to create uncertainty, with recurrent challenges difficult to predict, the board is confident that it has implemented appropriate measures to support the health and wellbeing of its employees and supply chains. Our diverse sector mix ensures that we are not overly exposed to sectors suffering excessive hardship during the pandemic. We engage with our clients and supply chains to ensure that all partners can continue to operate with particular emphasis on ensuring smooth flow of cash funds for work completed. Whilst currently unnecessary, we would continue to monitor government financial support schemes to ensure that we are aware of appropriate solutions should they be required.

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Streamlined Energy and Carbon Reporting (SECR) disclosure

Quantification and reporting methodology:

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Operational scopes:

We have measured our scopes 1, 2 and certain scope 3 emissions.

	Current year
UK Greenhouse gas emissions and energy use data for the period 1st January to 31 December	**2020**
Energy consumption used to calculate emissions (kWh)	**33,373,160**
Energy consumption breakdown (kWh):	
• gas	305,517
• electricity	271,528
• wood burning	106,493
• purchased fuel	32,689,621
SCOPE 1 emissions in metric tonnes CO2e	
Gas consumption	56.18
Purchased fuel - diesel, petrol & gas oil	8,518.35
Wood burning	1.64
Total Scope 1	**8,576.17**
SCOPE 2 emissions in metric tonnes CO2e	
Purchased electricity	63.30
Total Scope 2	**63.30**
SCOPE 3 emissions in metric tonnes CO2e	
Business Travel in employee owned vehicles	27.82
Total Scope 3	**27.82**
Total gross emissions in metric tonnes CO2e	**8,667.29**
Intensity ratio Tonnes per employee	**10.60**

Intensity measurement:

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee.

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Change in emissions:
Whilst we do not report the previous year above, it is noted that our overall emissions have dropped in 2020 due to the impact of the Coronavirus pandemic. This has resulted in home working for the majority of staff and changes to site operations. This has resulted in less office space being used and a decline in the amount of fuel used for transport and on-site plant equipment.

Measures taken to improve energy efficiency:

1. **Reduce the carbon footprint of our workforce**
   Employing a local workforce, video meetings, electric pool cars (site), car sharing, increased use of public transport, reducing city centre travel (train/park and ride) and providing home printing facilities.
2. **Reduce the distance travelled by inbound materials**
   Procuring from local businesses and local depots, and prioritising suppliers who source local.
3. **Reduce the distance travelled by outbound materials**
   Identifying local tips and recycling centres and eliminating outbound material travel by reusing materials on site.
4. **Reduce diesel and gas oil fuel consumption**
   Site grid connection reducing diesel generator use, hybrid/all electric company car fleet, Euro6 engines, electric plant machinery, driver training, vehicle monitoring and reduced idling/cab heaters.
5. **Reduce the carbon footprint of our office buildings and temporary site accommodation**
   Increased use of renewable technologies e.g. photovoltaics, efficient lighting, introducing carbon neutral / environmentally friendly site cabins.
6. **Reduce water consumption**
   Therefore reducing CO2 emissions in the treatment of waste water.
7. **Reduce embodied carbon by design**
   Reuse buildings instead of constructing new ones, specify low-carbon concrete mixes, limit carbon-intensive materials, reuse materials, use high-recycled content materials, maximize structural efficiency, use fewer finish materials and minimise waste.
8. **Carbon offsetting**
   Compensate for our emissions by funding an equivalent CO2 saving elsewhere, such as tree planting.
9. **Environmental Investment**
   Enhance the natural environment by creating new, and improving existing environments in the areas we work.
10. **Develop an environmentally conscious workforce culture**
    Qualified training, continued professional development, toolbox talks, internal communication, enhanced signage and workforce incentives.

Renewable electricity generated from owned or controlled sources:
In 2020 we generated 33,340 kWh of electricity from the PV panels on Esh House, Bowburn.

Standards held in relation to energy & environmental:
The Group currently hold the accreditations: ISO 50001:2018 and ISO 14001:2015.

A E Radcliffe
Director
29/09/2021

Esh Construction Limited

Corporate Governance

Esh Group Guiding Principles

The Esh Group Board are committed to maintaining and, where appropriate, improving standards of Corporate Governance. Whilst adherence to the Combined Code on Corporate Governance issued by the Financial Reporting Council is not obligatory for Esh Group, embracing the spirit of the Code ensures the creation and maintenance of sound business systems and an appropriate level of embedded internal control. The Code requires, as a minimum, an annual review of all key internal controls; including financial, operational, compliance and risk management systems.

The governance model outlined below has been designed by the Esh Group Board as an adaptation of the traditional best practice, three lines of defence to risk management.

Esh Group Sector Directors and Management

Sector Directors and Management own the risks and take responsibility for directly assessing, controlling and mitigating risks in their areas by way of organisation strength, a strong and well understood chain of command and strict oversight and scrutiny. They employ a range of internal controls which are built into the design of the control environment using either manual processes or system generated control, which forms the first line of defence in the Esh Group governance model to manage risks.

Esh Group maintains a program of continuous improvement in respect of all its internal control.

The Esh Group Board and Group Policies

The Board consists of both Executive and Non-Executive members and therefore draws on a wide range of experience both internally and externally when considering the establishment of Group Strategy and Policy. It has established the foundations that are the core of Esh Group in terms of its culture, vision and values. The Esh Group Corporate Values are documented and communicated directly to all employees, workers and business partners.

The Board delegate to the Sector Directors and Management, the day to day operation of the businesses within clear well-defined authority limits. Where appropriate, business decisions are reached following a structured and documented review of potential opportunities and threats. The process is designed to manage or mitigate any residual risk exposure identified.

However, the Board retains a schedule of matters reserved for its approval only, namely; the company strategy and review of performance, the appointment of key executives, approval of accounts, approval of the business plan, budget and financial policies, consideration of potential major projects, acquisitions or disposals of business sectors, opportunities in new markets, health and safety, the environment, business ethics, risk management, human rights and other social issues.

The Board set Group Policies and formal delegations of authority as appropriate to all companies, subsidiaries and associations. The Group Policies provided by the Board, require that all procedures and systems of control must be built and operated in line with any mandatory requirements and these therefore formulate a second line of defence in the Esh Group governance model.

The Esh Group Board and Group Policies (continued)

Internal and independent of operational management, are a range of Group functional teams. These include teams in Health, Safety Quality and Environment, Commercial, HR, IT and Internal Audit. All compliance teams report directly to the Board and have access to expert or specialist resources from professional advisors as required. The Compliance team will assess the adherence to Group Policies and Procedures. The outcome of compliance assessments will be reported to the Board and an appropriate action plan devised with management, who are supported through to implementation. These compliance teams bring up the third line of defence in the Esh Group governance model.

Deviation from any aspect of a Group Policy requires the express consent of the Chief Executive Officer in writing in advance.

All Group Policies are also publicly available in full detail on our website and intranet, but specific comment is made on the following core areas:

<u>Employment Policies and Procedures</u>

For all our employees, across all companies in the Group, there is a comprehensive Employee Handbook. This Handbook explains the required and mandatory standards of employee and manager behaviour and incorporates specifically: the Esh Group Values, Employee Code of Conduct and aspects of Health, Safety and Wellbeing.

It is also required that all workers for Esh Group, irrespective of engagement status, that they understand and comply with the above standards where they are appropriate for their role.

The Group supplements the Employee Handbook with other related policies or statements covering Slavery & Human Trafficking, Gender Pay and Equality & Diversity.

<u>Ethical Governance Approach</u>

Through the Ethical Governance Approach, the highest standards of integrity and accountability are put into practice by the Board. These standards are expected to be adopted and adhered to by all company directors, employees and third parties, including sub-contractors and their workers, and are evident throughout all relevant Group Policies.

A range of whistle blowing, anti-corruption and bribery policies and procedures support a culture of open, honest and fair dealing. These policies and procedures are designed to minimise the risks of fraud or corruption occurring, as well as to maximise the rate of detection and subsequent corrective action. Any employee, worker or member of the public is encouraged to speak out if they see any wrong-doing or area of concern and to enable this, the Group provides a range of reporting routes to facilitate this in a safe, appropriate and confidential manner.

<u>Health and Safety Policy and Procedures</u>

It is Esh Group Policy that its operations shall be conducted in such a way as to ensure, so far as is reasonably practicable, the health, safety and welfare of all its employees, subcontractors and site visitors and that its activities will not adversely affect the health and safety of others i.e. members of the public, children and any other interested parties. We believe there is no conflict between our requirement to keep our workforce and members of the public safe and our long-term financial success.

The Group recognises the importance of health and safety in all its undertakings. It relies upon the active participation of management and workforce including sub-contractors to maintain safe working practices and procedures in order to fulfil its legal obligations under the Health & Safety at Work Act 1974 and all other relevant health and safety legislation. In addition to fulfilling its legal obligations, the aim of the Group is to achieve best health and safety practice in all that it does primarily through adherence to ESH SAFE – Everyone Safely Home our bespoke brand and commitment.

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Directors' report

The directors present their directors' report and audited consolidated financial statements for the year ended 31 December 2020.

Financial instruments

The Group's financial instruments comprise borrowings share capital, cash, and various items arising directly from operations (such as trade debtors, trade creditors etc).

The Group's cash balance of £12.3m (2019: £11.2m) carries interest at variable rates but the levels of interest receivable are not significant to this group's results.

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

Paid dividends

£1.5m dividends were paid in respect of the previous year (2019 £2.5m).

Result for the year

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

Directors

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

M A Sowerby (Resigned 31st Jan 21)
A E Radcliffe
P Watson
S T Wilkie

All of the directors benefited from qualifying third-party indemnity provisions during the year and at the date of this report.

Employees

The Group gives full consideration to applications for employment from people with disabilities where the requirements of the job can be adequately fulfilled. 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 employees with disabilities wherever appropriate.

During the year, the policy of providing employees with information about the Company has been continued through internal media methods and holding regular meetings to review the Company's performance. Employees participate in the success of the business through the Company's bonus scheme.

Political contributions

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

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS "the Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group and 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Group and 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 company's website. Legislation in the United Kingdom 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Future developments

The future developments of the entity are disclosed within the Strategic Report.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

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Section 172 (1) statement

The Esh Holdings' board believes that all matters it is responsible for under Section 172 (1) of the Companies Act 2006 have been considered to an appropriate extent. Each director, acting in good faith, promotes the success of the company for the benefit of its stakeholders as a whole, and in doing so has regard to relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of Esh Holdings' Esh Holdings', examples of how the board has considered the matters set out in Section 172 (1) are detailed in the table below.

Considering likely consequences of any decision in the long term	The group has a strong culture of monthly forecasting and has a 3 year strategic plan. The consequences of changes to monthly forecasts are therefore considered for longer term impact on the 3 year plan and beyond.
Taking the interests of the Esh Construction's employees into account	Employee feedback is actively sought through staff surveys, team meetings and informal communication. The Leadership Team of the Esh Group take this feedback seriously and have an ongoing improvement plan for further enhancing employee engagement.
Fostering the company's business relationships with suppliers customers and others, and maintaining a reputation for high standards of business conduct	As outlined in the Corporate Governance section of this report, the group maintains and enforces a suite of policies, notably on ethical behaviour.
The impact of Esh Construction on the community and the environment	'Constructing Local' is a key strategic initiative of the Group, as outlined in the Strategic report. This places the communities and stakeholders in the geographies that we operate at the heart of all that we do.
Acting fairly as between members of the company	The Esh Holdings board includes representatives of all material shareholders. There is a Board ethos of openness, transparency and consensus decision making such that all major decisions require unanimous approval. Minority shareholders are, in the main, also employees of the company and often consulted through other mediums described above, however, due legal processes are followed when required by Company Law or the Articles of Association.

On behalf of the board.

A E Radcliffe

Director

Date ....29/09/2021.............

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF

Independent auditors' report to the members of Esh Construction Limited

Report on the audit of the financial statements

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 2020 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: consolidated and company balance sheets as at 31 December 2020; consolidated statement of comprehensive income, consolidated and company statements of cash flows and consolidated and company statements of changes in equity for the year then ended; the statement of accounting policies ; and the notes to the financial statements.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' 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 auditors' 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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate manual journal entries to manipulate financial performance, management bias in significant accounting estimates and any significant one-off or unusual transactions. Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance throughout the year including consideration of known or suspected instances of noncompliance with laws and regulations
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed
- Challenging estimates and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, posted with descriptions indicating higher level of risk, posting to unusual account combinations based on our understanding of business operations

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle
30 September 2021

Esh Construction Limited

Consolidated statement of comprehensive income for the year ended 31 December 2020

		2020			2019		
		Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Turnover							
Group and share of joint ventures		**213,368**	**795**	**214,163**	192,047	8,362	200,409
Less: share of joint ventures' turnover		**(8,590)**	**-**	**(8,590)**	(7,841)	-	(7,841)
Group turnover	1	**204,778**	**795**	**205,573**	184,206	8,362	192,568
Cost of sales		**(195,908)**	**(1,035)**	**(196,943)**	(170,762)	(10,611)	(181,373)
Gross (loss)/profit		**8,870**	**(240)**	**8,630**	13,444	(2,249)	11,195
Administrative expenses		**(11,683)**	**(476)**	**(12,159)**	(10,341)	(620)	(10,961)
Other operating income		**1,711**	**197**	**1,908**	-	-	-
Operating (loss)/profit	2	**(1,102)**	**(519)**	**(1,621)**	3,103	(2,869)	234
Profit on sale of fixed assets		-	-	-	67	-	67
Loss on sale of investments		**-**	**(240)**	**(240)**	-	-	-
Interest receivable and similar income	5	**1**	-	**1**	2	-	2
Interest payable and similar expenses	6	-		-	(15)	-	(15)
(Loss)/Profit before taxation		**(1,101)**	**(759)**	**(1,860)**	3,157	(2,869)	288
Tax on (loss)/profit	7	**683**	-	**683**	(130)	545	415
(Loss)/profit for the financial year		**(418)**	**(759)**	**(1,177)**	3,027	(2,324)	703
Other comprehensive income		-	-	-	-	-	-
Total comprehensive (loss)/income for the year		**(418)**	**(759)**	**(1,177)**	3,027	(2,324)	703

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

Esh Construction Limited

Consolidated balance sheet as at 31 December 2020

	Note		2020		2019
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	9		**-**		-
Tangible assets	10		**2,678**		3,513
			2,678		3,513
Current assets					
Stocks	12	**339**		311	
Debtors	13	**47,891**		43,544	
Cash at bank and in hand		**12,319**		11,224	
			60,549	55,079	
Creditors: amounts falling due within one year	14		**(51,043)**	(43,731)	
Net current assets			**9,506**		11,348
Total assets less current liabilities			**12,184**		14,861
Creditors: amounts falling due after more than one year	15		**-**		-
Net assets			**12,184**		14,861
Capital and reserves					
Called up share capital	17		**978**		978
Profit and loss account	18		**11,206**		13,883
Total shareholders' funds			**12,184**		14,861

These financial statements on pages 19 to 47 were approved by the board of directors on ......29/09/2021.......... and were signed on its behalf by:

A E Radcliffe

Director

Company registered number: 02529939

Esh Construction Limited

Company balance sheet as at 31 December 2020

			2020		2019
	Note	**£'000**	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	9		**-**		-
Tangible assets	10		**2,678**		3,461
Investments	11		**1,500**		1,700
			4,178		5,161
Current assets					
Stocks	12	**339**		286	
Debtors	13	**47,638**		43,159	
Cash at bank and in hand		**12,317**		11,143	
			60,294		54,588
Creditors: amounts falling due within one year	14		**(52,454)**		(44,899)
Net current assets			**7,840**		9,689
Total assets less current liabilities			**12,018**		14,850
Creditors: amounts falling due after more than one year	15		**-**		-
Net assets			**12,018**		14,850
Capital and reserves					
Called up share capital	17		**978**		978
Profit and loss account	18				
At 1 January			**13,872**		15,624
(Loss)/ Profit for the financial year			**(1,332)**		748
Dividends			**(1,500)**		(2,500)
			11,040		13,872
Total shareholders' funds			**12,018**		14,850

These financial statements on pages 19 to 47 were approved by the board of directors on .....29/09/2021...... and were signed on its behalf by:

A E Radcliffe
Director
Company registered number: 02529939

Consolidated statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2019	978	15,680	16,658
Profit for the financial year	-	703	703
Other comprehensive income	-	-	-
Total comprehensive profit for the year	**-**	703	703
Dividends	-	(2,500)	(2,500)
Balance at 31 December 2019 / 1 January 2020	978	13,883	14,861
Loss for the financial year	-	(1,177)	(1,177)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**(1,177)**	**(1,177)**
Dividends	-	(1,500)	(1,500)
Balance at 31 December 2020	**978**	**11,206**	**12,184**

Company statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2019	978	15,624	16,602
Profit for the financial year		748	748
Other comprehensive income	-	-	-
Total comprehensive profit for the year	-	748	748
Dividends	-	(2,500)	(2,500)
Balance at 31 December 2019	978	13,872	14,850
Loss for the financial year	-	(1,332)	(1,332)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,332)	(1,332)
Dividends	-	(1,500)	(1,500)
Balance at 31 December 2020	**978**	**11,040**	**12,018**

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities	22	**2,442**	(418)
Taxation received		**203**	29
Net cash generated from/(used in) operating activities		**2,645**	(389)
Cash flow from investing activities			
Purchase of tangible assets		**(119)**	(214)
Proceeds from disposals of tangible assets		**67**	150
Interest received		**1**	2
Net cash used in investing activities		**(51)**	(62)
Cash flow from financing activities			
Repayment of obligations under finance leases		**-**	(1,265)
Dividends paid		**(1,500)**	(2,500)
Interest paid		**-**	(15)
Net cash used in financing activities		**(1,500)**	(3,780)
Net increase/(decrease) in cash at bank and in hand		**1,094**	(4,231)
Cash and cash equivalents at the beginning of the year		**11,224**	15,455
Cash and cash equivalents at the end of the year		**12,318**	11,224

Statement of accounting policies

Statement of compliance and general information
The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The registered address is Esh House, Bowburn North Industrial Estate, Bowburn, 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 the historical cost basis, in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
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; and

(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 2020. 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.

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 the Group finance facility. The Company also has balances with other companies in the group headed by Esh Investments Limited.

The Company is subject to a group banking arrangement with its immediate parent undertaking, Esh Holdings Limited, and certain other group undertakings. 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 a loss before taxation attributable to owners of the parent for the year of (£5.9m) from continuing operations and had net assets at 31 December 2020 of £28.6m including cash of £15.4m.

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.

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.

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.

Statement of accounting policies (continued)

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.

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.

Statement of accounting policies (continued)

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.

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.

Statement of accounting policies (continued)

Critical accounting judgements and key source of estimation uncertainty (continued)
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 2020

1 Group turnover

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

	2020	2019
	£'000	£'000
Construction	**151,805**	133,530
Property services	**53,767**	59,038
	205,572	192,568

2 Operating (loss)/profit

	2020	2019
	£'000	£'000
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets:		
Owned assets	**887**	548
Leased assets	**-**	383
Amortisation of goodwill	**-**	-
Hire of plant and machinery - operating leases	**6,614**	5,891
Hire of other assets – operating leases	**1,225**	1,286

Auditors' remuneration

	2020	2019
	£'000	£'000
Audit of consolidation and parent company	**88**	89

Notes to the financial statements
for the year ended 31 December 2020 (continued)

3 Remuneration of directors

	2020	2019
	£'000	£'000
Directors' emoluments	**257**	307
Company contributions to money purchase pension schemes	**5**	14
	262	321

The aggregate of emoluments of the highest paid director were £256,520 (2019: £206,549) and company pension contributions of £5,479 (2019: £4,767) were made to a money purchase scheme on his behalf.

	Number of directors	
	2020	
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	2

4 Staff numbers and costs

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

	Number of employees Company		**Number of employees Group**	
	2020	2019	**2020**	2019
Production staff	**265**	242	**244**	271
Administrative staff	**392**	388	**387**	394
	657	630	**631**	665

The aggregate payroll costs of these persons were as follows:

	Company		**Group**	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Wages and salaries	**28,132**	26,063	**27,646**	26,881
Social security costs	**2,896**	2,691	**2,851**	2,762
Other pension costs (note 21)	**1,086**	998	**1,068**	1,023
Coronavirus Job Retention Scheme claim	**(1,711)**		**(1,908)**	
	30,403	29,752	**29,657**	30,666

Included in staff costs for the group are redundancy payments of £53,167 (2019: £150,789).

Notes to the financial statements
for the year ended 31 December 2020 (continued)

5 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	**1**	2

6 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Finance charges payable in respect of finance leases and hire purchase contracts	**-**	15

7 Tax on (loss)/ profit

Analysis of credit in year:

	2020	2019
	£'000	£'000
UK corporation tax		
Current tax on (loss)/profit for the financial year	**(18)**	-
Adjustments in respect of prior periods	**(1)**	-
Total current tax	**(19)**	-
Deferred tax (see note 16)		
Origination/reversal of timing differences	**(564)**	(132)
Adjustments in respect of prior periods	**12**	(297)
Effect of decreased tax rate	**(112)**	14
Total deferred tax	**(664)**	(415)
Total tax credit	**(683)**	(415)

7 Tax on (loss)/profit (continued)

Factors affecting the tax credit for the current year
The tax credit for the year is lower (2019: lower) than the standard rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:

	2019	2018
	£'000	£'000
Total tax reconciliation		
(Loss)/profit before taxation	**(1,860)**	288
Current tax at 19% (2019: 19%)	**(353)**	55
Effects of:		
Expenses not deductible for tax purposes	**98**	32
Capital allowances for the year in excess of depreciation	**-**	-
Deferred tax not provided	**-**	9
Tax rate changes	**(112)**	14
Group relief paid for at less than full UK tax rate	**(42)**	(19)
Transfer pricing adjustments	**(285)**	(209)
Adjustments in respect of prior periods	**11**	(297)
Income not taxable	**-**	-
Total current tax credit (see above)	**(683)**	(415)

Tax rate changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Dividends

The aggregate amount of dividends comprises:	**Group and company**	
	2020	2019
	£'000	£'000
Dividends paid in respect of the current year	**1,500**	2,500

The aggregate amount of dividends proposed and not recognised as liabilities as at the year-end is £nil (2019: £nil).

9 Intangible assets

Group

	Negative goodwill	**Goodwill**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2020	(2,277)	510	(1,767)
Disposals	2,277	-	2,277
At 31 December 2020	**-**	**510**	**510**
Accumulated amortisation			
At 1 January 2020	(2,277)	510	(1,767)
Disposal	2,277	-	2,277
Charged in year	-	-	-
At 31 December 2020	**-**	**510**	**510**
Net book value			
At 31 December 2020	-	-	-
At 31 December 2019	**-**	**-**	**-**

Notes to the financial statements
for the year ended 31 December 2020 (continued)

9 Intangible assets (continued)

Negative goodwill arose on the acquisition of Border Construction Limited during 2014.

Goodwill of £251,000 arose on the acquisition of Wilkinson Facilities Services Limited on 31 May 2007. This was amortised over 10 years which is the period over which the directors considered 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 1 January and 31 December 2020	757
Accumulated amortisation	
At 1 January 2020	757
Charged in year	-
At 31 December 2020	**757**
Net book value	
At 31 December 2020	**-**
At 31 December 2019	-

The goodwill arose 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 2020 (continued)

10 Tangible assets

Group	Freehold property £'000	Leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2020	12	56	6,184	39	1,583	7,874
Additions	-	-	111	8	-	119
Disposals	-	-	(1)	-	(172)	(173)
At 31 December 2020	**12**	**56**	**6,294**	**47**	**1,411**	**7,820**
Accumulated depreciation						
At 1 January 2020	12	16	3,585	39	709	4,361
Charge for year	-	7	723	1	156	887
On disposals	-	-	(1)	-	(105)	(106)
At 31 December 2020	**12**	**23**	**4,307**	**40**	**760**	**5,142**
Net book value						
At 31 December 2020	**-**	**33**	**1,987**	**7**	**651**	**2,678**
At 31 December 2019	-	40	2,599	-	874	3,513

Included in the total net book value is £nil (2019: £nil) relating to assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2019: £383,141).

Notes to the financial statements for the year ended 31 December 2020 (continued)

10 Tangible assets (continued)

Company

	Freehold property	Leasehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2020	12	56	6,184	38	1,449	7,739
Additions	-	-	111	8	-	119
Disposals	-	-		-	(39)	(39)
At 31 December 2020	**12**	**56**	**6,295**	**46**	**1,410**	**7,819**
Accumulated depreciation						
At 1 January 2020	12	16	3,585	38	627	4,278
Charge for year	-	7	723	1	144	875
On disposals	-	-	-	-	(12)	(12)
At 31 December 2020	**12**	**23**	**4,308**	**39**	**759**	**5,141**
Net book value						
At 31 December 2020	**-**	**33**	**1,987**	**7**	**651**	**2,678**
At 31 December 2019	-	40	2,599	-	822	3,461

Included in the total net book value is £nil (2019: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2019: £372,206).

11 Investments

Company

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2020	1,700
Dsiposals	(200)
Additions	-
At 31 December 2020	**1,500**

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
Border Construction (Holdings) Limited	100% Ordinary	Civil engineering and building contractor
Border Construction Limited[1]	100% Ordinary	Civil engineering and building contractor
David Wilkinson Building Contractors[1]	100% Ordinary	Dormant
Dunelm National Projects Limited[1]	100% Ordinary	Property development
Dunelm Property Services Limited	100% Ordinary	Housing construction and refurbishment
Esh Stantec Limited	50% Ordinary	Civil engineering
Finlaysons Contracts Ltd	100% Ordinary	Building and maintenance services (sold 30^{th} September 2020)
Lumsden & Carroll Limited	100% Ordinary	Commercial builder
Stephen Easten Building Limited	100% Ordinary	Commercial builder
Wilkinson Facilities Services Limited[1]	100% Ordinary	Building and maintenance services

[1]*Investment held indirectly*

All companies are incorporated in England and have a registered office of Esh House, Bowburn North Industrial Estate, Bowburn, Durham, DH6 5PF, except for Border Construction (Holdings) Limited which is registered in Scotland and has a registered office of Botany Mill, Roxburgh Street, Galashiels, TD1 1PB.

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

Notes to the financial statements for the year ended 31 December 2020 (continued)

12 Stocks

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**339**	311	**339**	286

The amount of stock recognised as an expense during the year was £2,214,702 (2019: £2,446,818).

13 Debtors

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade debtors	**9,781**	10,298	**9,781**	10,179
Amounts recoverable on contracts	**17,241**	15,714	**17,241**	15,500
Amounts owed by group undertakings	**18,184**	15,450	**17,955**	15,432
Amounts owed by undertakings in which the ultimate parent company has a participating interest (note 23)	**91**	22	**91**	22
Deferred tax asset (note 16)	**1,630**	973	**1,606**	958
Corporation tax	**-**	-	**-**	-
Other debtors	**226**	192	**226**	190
Prepayments and accrued income	**738**	895	**738**	878
	47,891	43,544	**47,638**	43,159

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 2020 (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Obligations under finance leases and hire purchase contracts (note 15)	**-**	-	**-**	-
Payments received on account	**6,027**	2,579	**6,027**	2,578
Trade creditors	**5,539**	6,511	**5,539**	6,440
Amounts owed to group undertakings	**1,003**	1,195	**2,413**	2,617
Amounts owed to undertakings in which the ultimate parent company has a participating interest (note 23)	**27**	-	**27**	-
Corporation tax	**194**	17	**195**	17
Other taxation and social security	**3,161**	1,696	**3,161**	1,616
Other creditors	**1,347**	1,208	**1,347**	1,194
Accruals and deferred income	**33,745**	30,525	**33,745**	30,437
	51,043	43,731	**52,454**	44,899

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	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Obligations under finance leases and hire purchase contracts	**-**	-	**-**	-

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	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Within one year	-	-	-	-
In the second to fifth years	-	-	-	-
	-	-	-	-
Less future finance charges	-	-	-	-
	-	-	-	-

16 Deferred taxation

	2020	**2019**
	Group	**Company**
	£'000	**£'000**
At beginning of year – asset	**973**	558
Credit to the consolidated statement of comprehensive income for the year	676	118
Credit to the consolidated statement of comprehensive income for prior year	(11)	297
Disposal of business	(8)	-
At end of year – asset	**1,630**	973

The elements of deferred taxation are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Differences between accumulated depreciation and capital allowances	**164**	162	**164**	155
Other timing differences	**17**	-	**17**	-
Losses	**1,449**	811	**1,425**	803
Deferred tax asset	**1,630**	973	**1,606**	958

Notes to the financial statements
for the year ended 31 December 2020 (continued)

17 Called up share capital

	Group and company			
	2020		2019	
	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 2020	13,883
Loss for the financial year	(1,177)
Dividend	(1,500)
At 31 December 2020	**11,206**

Company

	£'000
At 1 January 2020	13,872
Loss for the financial year	(1,332)
Dividend	(1,500)
At 31 December 2020	**11,040**

19 Contingent liabilities

The company is party to a group funding arrangement with certain of the companies in the Esh group. Funding of up to £9.2m is available to be drawn down against the debtors of Esh Construction Limited and Deerness Fencing & Landscaping Limited. Security is provided to the funder, Nucleus Commercial Finance Limited, by means of charges on the Land and Buildings held within Esh Holdings Limited and Plant and Machinery held in Esh Construction Limited and Deerness Fencing & Landscaping Limited, together with a first ranking debenture across the assets and liabilities of certain group companies (including the Company). The amount drawn on the facility at 31 December 2020 amounted to approximately £0.5m (2019: £5m).

Notes to the financial statements
for the year ended 31 December 2020 (continued)

20 Commitments

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

	2020	2019
	£'000	£'000
Group and Company		
Contracted	**26**	111

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

	Other		**Land and buildings**	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Group and Company				
Operating leases which expire:				
Within one year	**214**	89	**5**	14
In the second to fifth years inclusive	**195**	309	**70**	131
	409	398	**75**	145

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 £1,056,097 (2019: £1,023,350).

There were outstanding contributions at the end of the financial year of £180,089 (2019: £419,957).

Notes to the financial statements for the year ended 31 December 2020 (continued)

22 Reconciliation of operating (loss)/ profit to operating cash flows

	2020	2019
	£'000	£'000
(Loss)/ profit for the financial year	**(1,177)**	703
Tax on (loss)/profit	**(683)**	(415)
Net interest expense	**(1)**	13
Loss on sale of Investments	**240**	-
Profit on sale of fixed assets	**-**	(67)
Operating (loss)/profit	**(1,621)**	234
Amortisation of intangible assets	**-**	-
Depreciation of tangible assets	**887**	931
Working capital movements		
- Increase in inventories	**(27)**	(24)
- Increase in debtors	**(3,931)**	(7,480)
- Increase in payables	**7,134**	5,921
Cash flow generated from/(used in) operating activities	**2,442**	(418)

23 Related party disclosures

	Group							
	Sales		**Purchases**		**Debtors**		**Creditors**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Participating interests								-
West Park JV	**39**	-	**-**	-	16	-	-	-
Middleton St George JV	**54**	-	**-**	-	27	-	-	-
Micropump (NE) Ltd	**9**	11	**55**	3	-	-	8	-
Salutation Road	**-**	72	**-**	-		3	-	-
Eastbourne JV	**-**	-	**19**	-	16	16	19	-
Heighington JV	**30**	-	**-**	-	32	3	-	-
	132	83	**74**	3	**91**	22	**27**	-

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

24 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.

25 Discontinued operations

2020 saw the substantial conclusion of the restructuring plans enacted in 2018. In 2020, the Group sold Finlaysons Contracts Limited as a going concern, safeguarding those jobs and contracts in the borders of England and Scotland in which it continues to operate. There were also some small residual losses from contract conclusions in Scotland and the North West of England, where the Group has ceased activities

Each of the above business units have been reported in the current and prior period (restated) as a discontinued operation. Financial information relating to the discontinued operations is presented in the profit and loss account.