



## **Esh Construction Limited**

### Annual report and financial statements

for the year ended 31 December 2018

Registered Number: 02529939

Esh Construction Limited

Annual report and financial statements

for the year ended 31 December 2018

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# Esh Construction Limited

## Strategic report

The directors present their strategic report for the year ended 31 December 2018.

### 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

2018 was a year of change for the Esh Group as we focussed on implementing our new strategy. This had a significant impact on the result of Esh Construction for the year, and, as such, the results are presented so as to show Continuing and Discontinued Operations separately.

During the year we took the decision to close down our businesses in Scotland and the North West. This exercise is now largely complete, with a handful of projects rolling into 2019 and expected to conclude through Q3.

Following the decision to close these businesses, a review of overheads was performed in order to right size the business for the year ahead.

Continuing operations have shown a steady improvement in performance as the year has progressed, benefitting from stronger delivery and commercial controls.

Having undertaken the above actions the company is well placed for 2019 and closes 2018 with net assets of £16.7m and cash of £15.5m. Workload for 2019 is good, with a healthy pipeline of opportunities in the Civils and Social Housing sectors. The Commercial Build sector remains the most impacted by Brexit, but we are confident that the market will improve in the future.

	2018	2017
Turnover (from continuing operations)	<b>£159.9m</b>	£164.5m
Turnover decrease (from continuing operations)	<b>(2.8%)</b>	N/a
Gross profit margin (from continuing operations)	<b>7.2%</b>	6.1%
Administrative expenses (from continuing operations)	<b>£8.7m</b>	£9.2m
Profit before taxation (from continuing operations)	<b>£2.9m</b>	£0.8m
Cash at bank and in hand	<b>£15.5m</b>	£17.5m

### Comprehensive Reorganisation of the Group

Following many years of largely uninterrupted growth, driven by both acquisitive and organic strategies, the Group reached a size and scale that was becoming a challenge to manage in its existing form. Processes and technology were creaking, our management structures were cumbersome, and our customer proposition became confused and difficult to articulate.

# Esh Construction Limited

## Strategic report (continued)

In order to address these challenges, the leadership team, carried out a thorough, root and branch review of our operations. This concluded in a comprehensive reorganisation plan, which we executed with rigour and pace during the second half of 2018.

The essential components of this plan were to focus on:

1. **Organisational simplification** – reducing unnecessary complexity
2. **Operational efficiency** – reducing our cost base to improve competitiveness
3. **Capital efficiency** – improving liquidity and reducing long term capital lock up
4. **Managerial accountability** – driving performance improvements
5. **Talent assessment** – ensuring we have the right talent in the business to drive our plan

Every part of our group has been analysed using these elements as key criteria for evaluating each business unit's viability. This analysis led to us identifying a significant number of our business units as 'not core to our future strategy', prompting a series of business divestitures, closures and internal restructures. Regrettably, this led to several people leaving the Group. Nevertheless, these actions have been essential in ensuring we restore the necessary level of financial performance demanded by our broad range of stakeholders.

Alongside this organisational change, our team have also addressed our capital structure. We are pleased to report that we have secured a new credit funder for the group, who alongside our shareholders, have provided more than adequate capital headroom for us to be able to execute our future growth strategy, with lending facilities being more aligned to the shape of our business and the construction industry's current dynamic.

Naturally, changes as comprehensive as these come with considerable cost. Esh Group is an organisation with a high moral standard, and as such has carried out these changes in a manner that has minimised the impact upon our clients and supply chains, as well as being fair and reasonable with exiting employees, many of whom had provided long service to the group.

Consequently, delivering contracts to completion during the restructuring period has been costly, with numerous projects within these discontinued businesses returning losses, compounded by the cost of maintaining resources and facilities in the face of reducing turnover. We have also incurred considerable one-time costs associated with re-setting our capital structure, as well as transaction costs for business units that have been divested.

Alongside this, we have continued to invest time and money into a new technology solution, which has been going live in stages during 2019. These solutions are helping us create a more efficient, controlled and better-informed business as we move forward.

Although most of these changes were executed by 2018 year-end, project duration has meant that there has been some natural spill over into 2019. However, we are pleased to report that our continuing activities have performed much more strongly during 2019, offsetting any hangover from discontinued operations, and as such, we expect to restore profitability for 2019. Our most recent financial reports affirm this position.

We have been able to absorb the impact of these changes only because of our financial strength. Years of prudent financial management has allowed us to accrue a strong net worth, with ample liquidity headroom. Many organisations would not have been able to bear the cost of such an exercise without fundamentally challenging their solvency.

Whilst this process has been painful, our people have galvanised around these changes, embarked upon the journey with us, and helped reset our business in preparation for future growth. The pain is now behind us, and we are fit, ready and eager to deliver the next exciting chapter in the Esh Group story.

### New Business Structure

Esh Construction is now structured into 4 identifiable divisions operating solely in the North East and Yorkshire regions:

# Esh Construction Limited

## Strategic report (continued)

### *Civil Engineering*

Through this division we deliver 3 key services:

- a) New Build housing infrastructure through our heritage brand, **Lumsden & Carroll**
- b) Utility and Environmental Services, primarily through our **Esh-Stantec** Joint Venture
- c) Large scale infrastructure works through our **Esh Civils** brand

### *Esh Build*

Here we deliver large building and construction projects across a broad range of sectors including Education, Commercial, Healthcare, Leisure and Industrial.

### *Esh Living*

This division provides our Social Housing clients with both new build housing and existing stock refurbishment services. Our land and development credentials allow us to bring 'land led' turn-key solutions to clients, enabling a faster delivery of stock and thereby contributing to the government's mission to increase the supply of new housing in the UK.

### *Esh Facilities*

Through this division, we deliver responsive maintenance and small works solutions for local authorities, social housing, 'blue light' services, education and commercial organisations, which include the banking sector.

Our Board remains resolute in maintaining organisational discipline and will not venture into activities beyond this core set of operating business units, thereby maintaining laser focus on the group's core skills, and so ensuring sector leading quality and performance for our clients. Moreover, this new structure allows our business to participate in both cyclical and non-cyclical market segments in a more balanced way, thereby reducing the group's exposure to heavily cyclical sectors and so providing a more stable outlook than was previously the case. This is a tried and tested model and will be the foundation of our future success.

## **Financial Standing**

Our financial strength is evidentially presented in our financial statements. Whilst our earnings have clearly been impacted by our work in comprehensively reorganising and repositioning our business, our balance sheet net worth of £16.7m and our liquidity of £15.5m positions us significantly better than our peer group. Moreover, our strong tangible net worth provides further liquidity opportunity, and more specifically security for all financial stakeholders.

## **Market Characteristics**

The construction industry has presented some well documented challenges over the recent past. Large, national participants have had their business models tested, with some well publicised failures and a number of 'near misses'. Beyond Brexit related issues, the industry's challenge is not demand led. Market fundamentals remain sound, and long-term prospects are positive, underpinned by an ongoing need for urgent improvement in housing stock and infrastructure, a significant demand in the healthcare and leisure sectors and a dramatic change in the retail landscape.

It is more likely that the industry's challenges have been caused by a sustained period of aggressive underbidding for contracts in order to secure cash flow. This practice puts huge pressure on liquidity when 'the music stops', as many large participants trade with negative working capital, funded significantly by their supply chain through aggressively extended payments terms.

Our company has never deployed this model. We pride ourselves on bidding sensibly for work and maintain one of the industry's best payment profiles to our supply chains. This has allowed us to maintain loyalty from our supply chain during our reorganisation period, as well as mitigate the cashflow impact of our planned reduction in turnover.

# Esh Construction Limited

## Strategic report (continued)

In the face of these behaviours from the larger players, clients are driving more heavily towards a need to demonstrate social value in their procurement. This requirement is good news for the Group, as we have a long pedigree in delivering social value as part of our projects. Social Value is covered later in the report in our Constructing Local section, but for us this is an essential drive on behalf of our clients in ensuring that their suppliers employ locally, provide opportunities locally and so help improve lives and standards of living in the areas within which they operate.

Brexit, of course remains a notable risk, with the potential to create considerable headwinds until matters settle down. We have been preparing internally for a potential no deal outcome, and whilst the macro impact of this is still difficult to predict, we have focussed on the things we can control, and are reassured that alongside our supply chains and key clients we are ready and able to react to most eventualities.

### **Our Strategy**

As we move our attentions from reorganisation to growth, we have been working on a new paradigm for the Group, and importantly focusing on how we drive controlled growth in profitability and returns whilst maintaining tight organisational control. Our strategic agenda is focussed within our divisions as follows:

#### *Esh Civils*

- a) Maintain a healthy balance of turnover across both cyclical and non-cyclical sectors.
- b) Leverage joint venture opportunities.
- c) Increase average contract size through securing larger infrastructure projects.
- d) Grow our Yorkshire operation.

#### *Esh Build*

- a) Increase average contract size and quality through more selective bidding.
- b) Improve competitiveness through improved supply chain engagement.
- c) Leverage frameworks to align clients with our broader social value offering.

#### *Esh Living*

- a) Drive our land led pipeline.
- b) Leverage frameworks to increase average contract size.
- c) Increase our refurbishment portfolio via new framework appointment.
- d) Drive cost efficiency to improve competitiveness.

#### *Esh Facilities*

- a) Leverage social housing responsive maintenance contracts through collaboration with Esh Living.
- b) Secure long-term framework renewals.

### **Operational Excellence**

- a) Drive improvements in quality and on time delivery through improved programme management processes.
- b) Drive a lean overall operating cost model, leveraging investment in process and technology.
- c) Recruit, retain and develop 'Grade A' talent.

### **Social Value**

- a) Drive the social value agenda amongst clients to influence local procurement.
- b) Develop our social value offering to maintain our leadership position.
- c) Enhance our communications to demonstrate our delivered social value success.

# Esh Construction Limited

## Strategic report (continued)

### Financial Year 2019 (FY19) Outlook

As stated, our actions are bearing fruit. Financial results in our continuing operations have improved substantially during FY19.

Our operational improvements are driving greater control, site performance, quality and delivery. Our cost base has been considerably reduced, with the benefits of that dropping to the bottom line. Our financial position remains strong, allowing us to drive forward with confidence. Our newly structured leadership team is now positioned to drive further improvement as we execute on the strategic agenda set out above. We are delighted by our success in reshaping this Group over the last two years and are excited about what we can achieve over the coming years.

### Constructing Local

We are passionate about our communities and committed to delivering high-quality, meaningful engagement which makes a real difference to people across our operational areas. In April 2018 we were recognised by Her Majesty the Queen for our outstanding commitment to Promoting Opportunity and Social Mobility.

Our 'Constructing Local' strategy consists of a suite of 12 structured programmes and initiatives, all setup, managed and delivered by Esh Group on behalf of our delivery divisions. We have a dedicated social value team, who implement our strategy.

Working with our business development, bid writing and construction management team, we prepare tailored social value offers for our clients as part of the procurement process, ensuring our resources are used to deliver maximum benefit to our clients and their communities.

As a contractor, Social Value is paramount — those who use the buildings, houses and infrastructure we construct are as important as the schemes themselves. We are committed to 'constructing local' by supporting our clients in their communities.

Our Constructing Local strategy has four themes:

1. Educating Local:
  - Inspire our future workforce;
  - improve employability skills, and;
  - change perceptions of the construction industry.
2. Employing Local:
  - Create employment opportunities for local residents;
  - provide workplace insights through work experience and site visits; and
  - engage those furthest from the job market.
3. Engaging Local:
  - Keep communities safe;
  - support communities through volunteering, and;
  - grant making.
4. Buying Local:
  - Procure materials locally
  - employ local subcontractors, and;
  - support small to medium sized enterprises (SME's).

# Esh Construction Limited

## Strategic report (continued)

### Constructing Local (continued)

#### Educating Local

##### *Building My Skills*

The 2018/19 academic year saw our flagship employability skills programme Building My Skills relaunched for a 9<sup>th</sup> successive year. The employability skills, information and guidance programme continues to provide secondary students with a rounded introduction to the world ensuring ‘good career guidance’ is delivered throughout the year as part of the timetable.

During 2018 we worked with 100 business partners and 77 schools across our operational regions helping 12,600 students prepare for their future. Building My Skills continues to grow, since the programme launched in 2009, we have worked with over 50,000 students providing over 250,000 timetabled engagement hours.

##### *Get into STEM*

We continue our commitment to developing the workforce of the future; inspiring the next generation early in the education process. In 2018 Get into STEM engaged its 10,000<sup>th</sup> student and won the National STEM Learning’s ‘Inspirational STEM Engagement Project’ – two achievements we are immensely proud of!

Our ever evolving ‘STEM kits’ contain fun and educational construction themed resources and activities and align with the national curriculum for ‘Early Years Foundation Studies’ and ‘Key Stage One’. In 2018 we collaborated with Northumbrian Water Group, EDF Energy and Cleveland Police to develop variations of our award-winning STEM kits.

##### *Site Visits & Work Experience*

Site visits and work experience provide an opportunity for participants to gain an insight into the construction industry by visiting and being actively involved in our business. We continue to work in partnership with our clients to promote site visits and work experience opportunities to those local to our construction sites.

In 2018 we advertised over 35 work experience placements (equating to 200 days) via our digital platform and took over 500 visitors to our construction sites and offices.

#### Employing Local

##### *Apprenticeships*

Our apprenticeship programme remains an important part of our workplace strategy, with 115 people studying at formal apprentice programme during 2018. We retained 47% of people who completed their apprenticeship in 2018, with them progressing to full time roles within the Group.

We are proud members of the ‘5% Club’, an alliance of companies committed to ensuring 5% of their workforce is on a formal apprenticeship, student or graduate training programme.



# Esh Construction Limited

## Strategic report (continued)

### Constructing Local (continued)

#### *Esh Connexits*

We continue to deliver Esh Connexits, our pre-employment skills programme which supports those not in education, employment or training.

Our 2018 cohort took part in a range of enrichment activities including; team building, appreciating the importance of leadership, health and safety, company image, environmental matters, interpersonal skills, job applications, CV's, presentation skills, personal finance/budgeting and physical health. 17 members of Esh Group staff and supply chain were involved in the preparation and delivery of sessions.

All participants were provided industry-standard training, site visits and work experience. 50% of the participants progressed to positive destinations following the programme.

"I got that job on the Esh Construction site, working with Peter (site manager) who mentored my work experience placement. Thank you for the course, it's helped me loads and helped me gain employment. The course opened doors that I wouldn't have been able to access before. It put me in contact with people in the industry. I've been trying to get into general labouring for ages, but it's been really hard, the work experience gave me a foot in the door." **Ryan, Esh Connexits Participant**

### Engaging Local

#### *Volunteering*

Throughout 2018 the Group and its divisions worked in a diverse range of communities all of which have their own unique set of needs and initiatives. No matter how big or small; if we can make a real difference to areas near our construction projects our staff were keen to provide support through volunteering.

We have been involved with a wide range of projects, from repairs and improvements to buildings, the removal of graffiti and litter from public spaces, stewarding at events such as Park Run, painting community centres and developing communal gardens.

#### *The Esh Community Fund*

Since the Esh Community Fund launched we have granted a total of £174,000 supporting over 150 projects from 51 local authority areas. In 2018 we donated over £41,000 to charitable organisations and social enterprise organisations that affect positive change in their communities. We accept applications which:

- Improve the quality of life and/or employability prospects of local residents;
- Promote equality by engaging minority, hard-to reach, disadvantaged or vulnerable groups;
- Encourage healthy living, positive lifestyle changes and sustainable communities.

#### *Esh Stay Safe*

During 2018 our social value coordinators and site teams delivered presentations on site safety in primary schools near to our construction sites, engaging over 3,500 children aged between 4-11.

With the help of our mascot, Dudley the Elephant, we encourage students to take part in a Stay Safe poster competition with winning submissions being displayed on our site hoardings. This initiative complements our company wide Everyone Safely Home (ESH) campaign.

# Esh Construction Limited

## Strategic report (continued)

### Constructing Local (continued)

#### Buying Local

##### *Local Procurement & Employment*

Esh Construction is proud to purchase from a strong local supply, many of which are small to medium enterprises (SMEs) of less than 250 employees. During 2018 we endeavoured to procure 80% of materials and labour from within 25 miles of every project valued over £3m.

In order to achieve this our regional supply chain management teams work with our clients to promote opportunities locally - engaging our supply chain via meet the buyer events, supply chain open days, advertising opportunities both in the local press and via Esh Group's digital platform.

In 2018 we invested in heat mapping software to better visualise and report local procurement and employment information with some great results.

##### *Example:*

Cleveland Community Safety Hub, Middlesbrough

The Police and Crime Commissioner for Cleveland

We procured 93% materials and labour from within 25 miles of the project

##### *Prompt Payment*

Esh Construction is a signatory of the Prompt Payment Code which sets standards for payment practices and best practice for businesses in the UK. We are proud to be one of the fastest paying contractors in England.

Our compliance with the principles of the Code is monitored and enforced by a National Compliance Board. The Code covers prompt payment, as well as wider payment procedures. Aligning with the Prompt Payment Code we endeavour to:

- Pay suppliers on time.
- Treat our suppliers fairly.
- Give clear guidance to suppliers.
- Encourage good practice within our supply chain.

### Environment / Summit 2026

Esh Construction was one of the first construction companies in the UK to achieve certification to ISO 50001:2011, the standard for Energy Management and this year achieved certification of the updated ISO 14001:2015 standard for Environmental Management – one year before the deadline.

We continue to minimise our environmental impact through our 'Summit 2026' strategy which focuses on five critical areas of:

1. Culture
2. Carbon Emissions
3. Waste & Water Management
4. Environmental Protection, and;
5. Supply Chain.

# Esh Construction Limited

## Strategic report (continued)

### Constructing Local (continued)

In 2018 we aligned Summit 2026 to the United Nations Sustainable Development Goals, helping us address the needs of our clients whilst providing an identity to promote environmental sustainability across the group.

It is our aim to go beyond compliance and be regarded as one of the leading sustainable construction firms in the UK.

### Workplace

#### *Health and Safety*

Esh Group is committed to continuous improvement in health and safety, developed through compliance with the Occupational Health and Safety Management System OHSAS 18001 and our promotion of our in-house Health & Safety campaign, Everyone Safely Home abbreviated to 'ESH' Safe.

In 2018 we continued with the promotion of our health and safety welfare policy which provided further focus on occupational health issues. In addition to resources created internally (posters, tool box talks, safety stand downs) we participated in external campaigns including:

- The Institution of Occupational Safety and Health's "No Time to Lose" anti-occupational cancer campaign;
- The British Occupational Hygiene Society's "Breathe Freely" campaign to reduce occupational lung disease in the UK;
- The Health and Safety Executive's "Go Home Healthy" campaign to reduce lung disease, musculoskeletal disorders and work-related stress.

Awareness of Mental Health issues was promoted and included the "Smash the Stigma" campaign which was produced in conjunction with Northumbrian Water Group's safety forum.

In 2018 we carried out 1,672 site safety inspections and simulated a number of 'Realistic Accident Scenarios'. Our safety advisor team undertook several 'mock' accidents on site to ensure all were fully compliant with relevant safety documentation in the event of any accident. This led to improved performance, improved site teams understanding, higher standards across our sites.

High risk activities were specifically controlled on sites with emphasis on avoidance of utility strikes, control of excavations and work at height operations.

On site documentation has been streamlined as part of the group's investment in new technology. Our tablet based 'Field View' system will be rolled out across all sites by the end of 2019.

### Gender Pay

We continue to review pay to ensure that there is consistency between roles and employees within roles; in this regard, we believe we are an equal and fair employer. We, like most construction contractors have a gender pay gap, ours is not because women earn less than men in similar roles, but that regrettably, in common with the broader construction sector, we have a higher number of men in senior positions in the business.

# Esh Construction Limited

## Strategic report (continued)

### Constructing Local (continued)

#### *Our Challenge*

The construction sector traditionally attracts significantly fewer women than men. This is more notable in the subsectors in which Esh Construction Limited operates, where 90% of our employees are male.

Broadly, not enough women choose to study science, technology, engineering and maths (STEM) subjects which pave the way for a wide range of careers in the construction industry. Some old perceptions remain hard to shift; a recent report by the Construction Industry Training Board (CITB) found young people still see the industry as being “low qualified, mundane and unglamorous, and focused on outdoor work, suitable only for those who are physically strong.”

There is still a huge amount of work to be done by the sector to change the outdated misconceptions of our industry.

#### *Engaging Women in Construction through Education*

We are committed to attracting more women into built environment, engineering, operational and general construction roles through school engagement. So great is our commitment, during 2018, we engaged 100 times more women than we employed through our education, engagement and employment programmes.

# **Esh Construction Limited**

## **Strategic report (continued)**

### **Principal risks and uncertainties**

Market conditions within the construction industry remain challenging, although the dynamics are 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. 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 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.

# Esh Construction Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

Risk description	How it is mitigated
<b><i>Project execution</i></b>	
<p>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.</p> <p>Successful delivery of many of these projects depends on the successful implementation and maintenance of a range of operational and commercial procedures and controls.</p>	<p>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.</p> <p>We also have public indemnity cover to provide further safeguards.</p>
<b><i>Tendering</i></b>	
<p>Through our different business units, we seek to win profitable work through a large number of competitive tenders and contract negotiations.</p> <p>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.</p>	<p>All bids are subject to proven, rigorous estimating and tendering processes within a defined framework, using skilled resources.</p> <p>We have delegated authority levels for approving all tenders and a formal tender review process.</p> <p>We undertake reviews following both successful and unsuccessful tenders to ensure we learn from them and apply those lessons to future tenders.</p> <p>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.</p>
<b><i>People</i></b>	
<p>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.</p>	<p>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.</p> <p>People matters are reviewed regularly and discussed at all levels within the organisation and by the Board.</p> <p>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.</p>

# Esh Construction Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

Risk description	How it is mitigated
<b><i>Supply chain</i></b>	
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.	<p>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.</p> <p>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.</p> <p>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.</p>
<b><i>Health and safety</i></b>	
The Group works on projects which require continuous monitoring and management of health and safety risks.	<p>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.</p> <p>Accident frequency rates remain well below the industry average.</p> <p>Health and safety remains the first agenda item at all board meetings, and is a critical focus for all directors.</p>
<b><i>Regulatory, market and economic</i></b>	
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.	<p>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.</p> <p>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.</p>

# Esh Construction Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

Risk description	How it is mitigated
<b><i>Business process and IT systems</i></b>	
To continue to expand the business, 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.

Comments on risks specific to the individual business streams which make up the Group are also included in the early parts of the Strategic Report.

### Key performance indicators

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

### 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 cyclical and non-cyclical sectors of the market, ensuring we do not stray from our core skills, 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

Date.....23/9/2019.....

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Bowburn North Industrial Estate  
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# Esh Construction Limited

## Directors' report

The directors present their directors' report and audited consolidated financial statements for the year ended 31 December 2018.

### 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 £1.3m (2017: £1.8m) and are at fixed interest rates. The Group's cash balance of £15.5m (2017: £17.5m) 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.

### Paid dividends

£0.5m dividends were paid in respect of the previous year (2017 £nil).

### 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 (appointed 29 January 2018)

A Law

S Leadbitter

A E Radcliffe

P Watson

S T Wilkie

G A Morgan (resigned 11 May 2018)

S D Philips (resigned 24 May 2018)

J P Davies (resigned 12 July 2019)

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.

# Esh Construction Limited

## 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.

On behalf of the board.

  
A E Radcliffe

Director

Date ..... 23/9/2019 .....

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**

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#### **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 2018 and of the group's loss and 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: the consolidated and company balance sheets as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

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#### **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.

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#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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#### **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 on, 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.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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.

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### **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.

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](http://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.

# **Esh Construction Limited**

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

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### **Other required reporting**

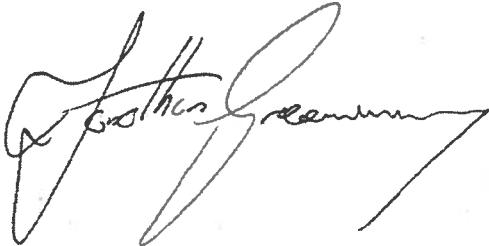
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#### **Companies Act 2006 exception reporting**

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
- 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 upon Tyne  
25 September 2019

# Esh Construction Limited

## Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	2018			2017		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover</b>							
Group and share of joint ventures		167,233	17,482	184,715	175,032	22,768	197,800
Less: share of joint ventures' turnover		(7,376)	-	(7,376)	(10,551)	-	(10,551)
<b>Group turnover</b>	1	159,857	17,482	177,339	164,481	22,768	187,249
Cost of sales		(148,302)	(21,970)	(170,272)	(154,524)	(21,291)	(175,815)
<b>Gross profit/(loss)</b>		11,555	(4,488)	7,067	9,957	1,477	11,434
Administrative expenses		(8,720)	(1,424)	(10,144)	(9,181)	(2,176)	(11,357)
Other operating income		77	-	77	-	-	-
<b>Operating profit/(loss)</b>	2	2,912	(5,912)	(3,000)	776	(699)	77
Profit on sale of fixed assets		36	-	36	72	-	72
Interest receivable and similar income	5	5	-	5	4	-	4
Interest payable and similar expenses	6	(38)	-	(38)	(60)	-	(60)
<b>Profit/(loss) before taxation</b>		2,915	(5,912)	(2,997)	792	(699)	93
Tax on profit/(loss)	7	(390)	791	401	(64)	170	106
<b>Profit/(loss) for the financial year</b>		2,525	(5,121)	(2,596)	728	(529)	199
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>		2,525	(5,121)	(2,596)	728	(529)	199

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 2018

	Note	2018	2017
		£'000	£'000
<b>Fixed assets</b>			
Intangible assets	9	-	-
Tangible assets	10	4,314	4,719
		<b>4,314</b>	<b>4,719</b>
<b>Current assets</b>			
Stocks	12	287	345
Debtors	13	35,659	41,215
Cash at bank and in hand		15,455	17,480
		<b>51,401</b>	<b>59,040</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(38,660)</b>	<b>(43,289)</b>
<b>Net current assets</b>		<b>12,741</b>	<b>15,751</b>
<b>Total assets less current liabilities</b>		<b>17,055</b>	<b>20,470</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(397)</b>	<b>(716)</b>
<b>Net assets</b>		<b>16,658</b>	<b>19,754</b>
<b>Capital and reserves</b>			
Called up share capital	17	978	978
Profit and loss account	18	15,680	18,776
<b>Total shareholders' funds</b>		<b>16,658</b>	<b>19,754</b>

These financial statements on pages 20 to 48 were approved by the board of directors on 23/9/2019 and were signed on its behalf by:



M A Sowerby

Director

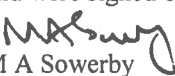
Company registered number: 02529939

# Esh Construction Limited

## Company balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	9	-	-
Tangible assets	10	4,239	4,600
Investments	11	1,700	1,700
		<b>5,939</b>	<b>6,300</b>
<b>Current assets</b>			
Stocks	12	265	319
Debtors	13	35,146	41,139
Cash at bank and in hand		16,144	17,918
		<b>51,555</b>	<b>59,376</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(40,516)</b>	<b>(45,376)</b>
<b>Net current assets</b>		<b>11,039</b>	<b>14,000</b>
<b>Total assets less current liabilities</b>		<b>16,978</b>	<b>20,300</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(376)</b>	<b>(694)</b>
<b>Net assets</b>		<b>16,602</b>	<b>19,606</b>
<b>Capital and reserves</b>			
Called up share capital	17	978	978
Profit and loss account	18		
At 1 January		18,628	18,408
(Loss)/profit for the financial year		(2,504)	220
Dividends		(500)	-
		<b>15,624</b>	<b>18,628</b>
<b>Total shareholders' funds</b>		<b>16,602</b>	<b>19,606</b>

These financial statements on pages 20 to 48 were approved by the board of directors on 23/9/2019 and were signed on its behalf by:

  
M A Sowerby

**Director**

Company registered number: 02529939



## Esh Construction Limited

### Consolidated statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>Balance at 1 January 2017</b>	978	18,577	19,555
Profit for the financial year	-	199	199
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	199	199
Dividends	-	-	-
<b>Balance at 31 December 2017 / 1 January 2018</b>	978	18,776	19,754
Loss for the financial year	-	(2,596)	(2,596)
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the year</b>	-	(2,596)	(2,596)
Dividends	-	(500)	(500)
<b>Balance at 31 December 2018</b>	978	15,680	16,658

## Esh Construction Limited

### Company statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>Balance at 1 January 2017</b>	978	18,408	19,386
Profit for the financial year	-	220	220
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	220	220
Dividends	-	-	-
<b>Balance at 31 December 2017 / 1 January 2018</b>	978	18,628	19,606
Loss for the financial year	-	(2,504)	(2,504)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(2,504)	(2,504)
Dividends	-	(500)	(500)
<b>Balance at 31 December 2018</b>	978	15,624	16,602

## Esh Construction Limited

### Consolidated statement of cash flows for the year ended 31 December 2018

		2018	2017
	Note	£'000	£'000
<b>Cash flow from operating activities</b>	22	<b>(292)</b>	4,824
Taxation paid		(51)	(231)
<b>Net cash (used in)/generated from operating activities</b>		<b>(343)</b>	4,593
<b>Cash flow from investing activities</b>			
Purchase of tangible assets		(53)	(184)
Proceeds from disposals of tangible assets		180	259
Interest received		5	4
<b>Net cash generated from investing activities</b>		<b>132</b>	79
<b>Cash flow from financing activities</b>			
Repayment of obligations under finance leases		(1,275)	(1,608)
Dividends paid		(500)	-
Interest paid		(39)	(60)
<b>Net cash used in financing activities</b>		<b>(1,814)</b>	(1,668)
<b>Net (decrease)/increase in cash at bank and in hand</b>		<b>(2,025)</b>	3,004
Cash and cash equivalents at the beginning of the year		17,480	14,476
<b>Cash and cash equivalents at the end of the year</b>		<b>15,455</b>	17,480

# Esh Construction Limited

## 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 2018. 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 a profit before taxation attributable to owners of the parent for the year of £1.3m from continuing operations and had net assets at 31 December 2018 of £36.0m including cash of £13.3m.

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.

# 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.

# **Esh Construction Limited**

## **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.

# Esh Construction Limited

## 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.



# Esh Construction Limited

## 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.

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018

### 1 Group turnover

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

	2018	2017
	£'000	£'000
Construction	135,195	145,370
Property services	42,144	41,879
	177,339	187,249

### 2 Operating profit/(loss)

	2018	2017
	£'000	£'000
<b>Operating profit/(loss) is stated after charging:</b>		
Depreciation of tangible assets:		
Owned assets	593	555
Leased assets	470	558
Amortisation of goodwill	-	7
Hire of plant and machinery - operating leases	5,577	8,168
Hire of other assets – operating leases	1,387	1,212

#### Auditors' remuneration

	2018	2017
	£'000	£'000
Audit of consolidation and parent company	89	89

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 3 Remuneration of directors

	2018	2017
	£'000	£'000
Directors' emoluments	492	515
Company contributions to money purchase pension schemes	37	51
	529	566

The aggregate of emoluments of the highest paid director were £193,807 (2017: £170,222) and company pension contributions of £2,859 (2017: £1,486) were made to a money purchase scheme on his behalf.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	4

### 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	
	2018	2017	2018	2017
Production staff	253	289	294	316
Administrative staff	402	433	408	438
	655	722	702	754

The aggregate payroll costs of these persons were as follows:

	Company		Group	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Wages and salaries	24,560	26,067	25,381	26,838
Social security costs	2,536	2,671	2,608	2,738
Other pension costs (note 21)	846	1,010	865	1,021
	27,942	29,748	28,854	30,597

Included in staff costs for the group are redundancy payments of £242,013 (2017: £42,909).

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 5 Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable from group undertakings	5	4

### 6 Interest payable and similar expenses

	2018	2017
	£'000	£'000
Finance charges payable in respect of finance leases and hire purchase contracts	38	60

### 7 Tax on profit/(loss)

Analysis of credit in year:

	2018	2017
	£'000	£'000
UK corporation tax		
Current tax on profit/(loss) for the financial year	(1)	(40)
Adjustments in respect of prior periods	74	5
Total current tax	73	(35)
<b>Deferred tax (see note 16)</b>		
Origination/reversal of timing differences	(524)	(51)
Adjustments in respect of prior periods	-	(26)
Effect of decreased tax rate	50	6
Total deferred tax	(474)	(71)
<b>Total tax credit</b>	<b>(401)</b>	<b>(106)</b>

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 7 Tax on profit/(loss) (continued)

#### Factors affecting the tax credit for the current year

The tax credit for the year is lower (2017: lower) than the standard rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
<b>Total tax reconciliation</b>		
(Loss)/profit before taxation	(2,997)	93
Current tax at 19% (2017: 19.25%)	(569)	18
<i>Effects of:</i>		
Expenses not deductible for tax purposes	23	20
Capital allowances for the year in excess of depreciation	-	-
Deferred tax not provided	23	(16)
Tax rate changes	56	6
Group relief paid for at less than full UK tax rate	9	(132)
Uncertain tax losses	-	19
Adjustments in respect of prior periods	72	(21)
Income not taxable	(15)	-
<b>Total current tax credit (see above)</b>	<b>(401)</b>	<b>(106)</b>

#### Tax rate changes

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015. This reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. A further reduction in the main corporation tax rate to 17% from 1 April 2020 was announced in the 2016 Budget and substantively enacted in the Finance Act 2016. Given the changes are stepped, deferred tax assets and liabilities reflect the rate of 19% that will apply from 1 April 2017.

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 8 Dividends

The aggregate amount of dividends comprises:

	Group and company	
	2018	2017
	£'000	£'000
Dividends paid in respect of the current year	500	-

The aggregate amount of dividends proposed and not recognised as liabilities as at the year-end is £nil (2017: £nil).

### 9 Intangible assets

#### Group

	Negative goodwill £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2018	(2,277)	510	(1,767)
Additions	-	-	-
<b>At 31 December 2018</b>	<b>(2,277)</b>	<b>510</b>	<b>(1,767)</b>
<b>Accumulated amortisation</b>			
At 1 January 2018	(2,277)	510	(1,767)
Charged in year	-	-	-
<b>At 31 December 2018</b>	<b>(2,277)</b>	<b>510</b>	<b>(1,767)</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 December 2017	-	-	-

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (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

	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
<b>At 1 January and 31 December 2018</b>	<b>757</b>
<b>Accumulated amortisation</b>	
At 1 January 2018	757
Charged in year	-
<b>At 31 December 2018</b>	<b>757</b>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<b>-</b>
At 31 December 2017	-

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

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (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
<b>Cost</b>						
At 1 January 2018	12	130	6,806	328	1,276	8,552
Additions	-	9	44	-	750	803
Disposals	-	(93)	(502)	(273)	(443)	(1,311)
<b>At 31 December 2018</b>	<b>12</b>	<b>46</b>	<b>6,348</b>	<b>55</b>	<b>1,583</b>	<b>8,044</b>
<b>Accumulated depreciation</b>						
At 1 January 2018	12	25	2,732	304	760	3,833
Charge for year	-	31	827	20	185	1,063
On disposals	-	(48)	(441)	(273)	(404)	(1,166)
<b>At 31 December 2018</b>	<b>12</b>	<b>8</b>	<b>3,118</b>	<b>51</b>	<b>541</b>	<b>3,730</b>
<b>Net book value</b>						
<b>At 31 December 2018</b>	<b>-</b>	<b>38</b>	<b>3,230</b>	<b>4</b>	<b>1,042</b>	<b>4,314</b>
At 31 December 2017	-	105	4,074	24	516	4,719

Included in the total net book value is £2,696,650 (2017: £2,986,457) relating to assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £469,677 (2017: £558,187).



# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 10 Tangible assets (continued)

Company	Freehold property £'000	Leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 January 2018	12	64	6,801	326	1,175	8,378
Additions	-	9	43	-	715	767
Disposals	-	(27)	(496)	(272)	(441)	(1,236)
<b>At 31 December 2018</b>	<b>12</b>	<b>46</b>	<b>6,348</b>	<b>54</b>	<b>1,449</b>	<b>7,909</b>
<b>Accumulated depreciation</b>						
At 1 January 2018	12	9	2,729	302	726	3,778
Charge for year	-	11	827	20	157	1,015
On disposals	-	(11)	(438)	(272)	(402)	(1,123)
<b>At 31 December 2018</b>	<b>12</b>	<b>9</b>	<b>3,118</b>	<b>50</b>	<b>481</b>	<b>3,670</b>
<b>Net book value</b>						
<b>At 31 December 2018</b>	<b>-</b>	<b>37</b>	<b>3,230</b>	<b>4</b>	<b>968</b>	<b>4,239</b>
At 31 December 2017	-	55	4,072	24	449	4,600

Included in the total net book value is £2,641,973 (2017: £2,947,983) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £450,080 (2017: £845,680).

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 11 Investments

#### Company

	Shares in group undertakings £'000
<b>Cost and net book value</b>	
At 1 January 2018	1,700
Additions	-
<b>At 31 December 2018</b>	<b>1,700</b>

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 <sup>1</sup>	100% Ordinary	Civil engineering and building contractor
David Wilkinson Building Contractors <sup>1</sup>	100% Ordinary	Dormant
Dunelm National Projects Limited <sup>1</sup>	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
Lumsden & Carroll Limited	100% Ordinary	Commercial builder
Stephen Easten Building Limited	100% Ordinary	Commercial builder
Wilkinson Facilities Services Limited <sup>1</sup>	100% Ordinary	Building and maintenance services

<sup>1</sup>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.

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 12 Stocks

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Raw materials and consumables	287	345	265	319

The amount of stock recognised as an expense during the year was £2,330,784 (2017: £2,122,000).

### 13 Debtors

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade debtors	6,619	8,558	6,481	8,483
Amounts recoverable on contracts	22,066	25,282	21,904	24,920
Amounts owed by group undertakings	5,118	6,425	4,953	6,793
Amounts owed by undertakings in which the ultimate parent company has a participating interest (note 23)	474	8	474	8
Deferred tax asset (note 16)	558	83	555	82
Corporation tax	12	35	12	38
Other debtors	36	17	36	16
Prepayments and accrued income	776	807	731	799
	35,659	41,215	35,146	41,139

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.

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 14 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts (note 15)	867	1,073	840	1,059
Payments received on account	1,231	1,649	1,227	1,649
Trade creditors	4,425	4,133	4,378	4,099
Amounts owed to group undertakings	592	743	2,689	2,975
Amounts owed to undertakings in which the ultimate parent company has a participating interest (note 23)	-	-	-	-
Corporation tax	-	-	-	-
Other taxation and social security	1,231	2,421	1,138	2,357
Other creditors	920	1,239	901	1,222
Accruals and deferred income	29,394	32,031	29,343	32,015
	<b>38,660</b>	<b>43,289</b>	<b>40,516</b>	<b>45,376</b>

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	397	716	376	694

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Within one year	887	1,102	858	1,085
In the second to fifth years	417	722	382	701
	1,304	1,824	1,240	1,786
Less future finance charges	(40)	(35)	(24)	(33)
	1,264	1,789	1,216	1,753

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

### 16 Deferred taxation

	2018	2.18
	Group	Company
	£'000	£'000
At beginning of year – asset	83	82
Credit to the consolidated statement of comprehensive income for the year	474	473
Credit to the consolidated statement of comprehensive income for prior year	1	-
At end of year – asset	558	555

The elements of deferred taxation are as follows:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Differences between accumulated depreciation and capital allowances	557	29	554	29
Other timing differences	1	54	1	53
Losses	-	-	-	-
Deferred tax asset	558	83	555	82

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 17 Called up share capital

	Group and company			
	2018		2017	
	Number of shares	£000	Number of shares	£000
<b>Authorised, Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	978,150	978	978,150	978

### 18 Profit and loss account

#### Group

	£'000
At 1 January 2018	18,776
Loss for the financial year	(2,596)
Dividend	(500)
<b>At 31 December 2018</b>	<b>15,680</b>

#### Company

	£'000
At 1 January 2018	18,628
Loss for the financial year	(2,504)
Dividend	(500)
<b>At 31 December 2018</b>	<b>15,624</b>

### 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 £10m (2017: £7.4m). The composite arrangement does not include Dunelm Homes Limited which has its own discrete banking arrangements.

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 20 Commitments

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

	2018	2017
	£'000	£'000
<b>Group and Company</b>		
Contracted	-	-

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

	Other		Land and buildings	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
<b>Group and Company</b>				
Operating leases which expire:				
Within one year	203	437	-	-
In the second to fifth years inclusive	483	435	145	102
	686	872	145	102

### 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 £864,556 (2017: £1,021,185).

There were outstanding contributions at the end of the financial year of £79,502 (2017: £312,979).

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

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

	2018	2017
	£'000	£'000
(Loss)/profit for the financial year	(2,596)	199
Tax on (loss)/profit	(401)	(106)
Net interest expense	33	56
Profit on sale of fixed assets	(36)	(72)
<b>Operating (loss)/profit</b>	<b>(3,000)</b>	<b>77</b>
Amortisation of intangible assets	-	7
Depreciation of tangible assets	1,063	1,113
Working capital movements		
- Decrease in inventories	58	851
- Decrease in debtors	6,009	2,448
- (Decrease)/increase in payables	(4,422)	328
<b>Cash flow (used in)/generated from operating activities</b>	<b>(292)</b>	<b>4,824</b>



# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 23 Related party disclosures

	Group							
	Sales		Purchases		Debtors		Creditors	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Participating interests</b>								
Esh Space The Park Ltd	-	1	-	-	-	-	-	-
Prestige Exclusive Homes Ltd	-	-	-	-	20	-	-	-
Micropump (NE) Ltd	14	12	42	7	-	8	-	-
Salutation Road	106	-	-	-	72	-	-	-
Eastbourne JV	-	-	-	-	370	-	-	-
Heighington JV	-	-	-	-	12	-	-	-
	120	13	42	7	474	8	-	-
<b>Fellow subsidiaries</b>								
Mechplant (North East) Ltd	186	187	1,025	1,314	-	37	138	265

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.

### 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.

# **Esh Construction Limited**

## **Notes to the financial statements for the year ended 31 December 2018 (continued)**

### **25 Discontinued operations**

In 2018 the Group announced restructuring plans, which included closing down several business units. These business units include the Group's operations in Scotland and North West England.

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.