Esh Holdings Limited Annual Report & Financial Statements

for the year ended 31 December 2020

Registered Number 03724890

Esh Holdings Limited
Annual report and financial statements
for the year ended 31 December 2020

Contents

Chairman's report

It will be no understatement to report that 2020 was the most challenging year in our group's history. The impact of the onset of the pandemic was rapid, and unprecedented. Many organisations have felt the financial strain that the inevitable restrictions brought about and have worked hard to navigate the volatile and uncertain landscape that lay ahead of them.

The construction sector, in the final analysis, will no doubt be perceived as one of the least impacted by the pandemic, owing in the large part to its ability to re-mobilise as restrictions eased, as well as the health advantages of working in a largely outdoor setting.

That said, our business, and many others alike, endured the fixed cost burden associated with at least 3 months of effective shutdown, and then a protracted, challenging and costly re-mobilising. The longer term hang over from these events has then manifested in contract start delays, production constraints through repeated isolation requirements, and latterly a chronic level of material shortage and cost inflation, the latter in part exacerbated by some Brexit challenges, as well as a rapid global economic recovery putting pressure on material producers.

Whilst these challenges have inevitably had an impact on our results for 2020, I am pleased to say that we have been more than able to withstand them. As reported previously, the last three years have been spent on a complex and costly restructuring of the group, with simplification, efficiency and risk management being the core principles underpinning that exercise.

I am delighted to report that, having largely completed that restructuring during 2019, our business was in great shape coming into the pandemic. We had rationalised, effectively down to 3 operating divisions, from the near 20 not four years ago. We also aligned ourselves to robust segments of the market that have demonstrated tremendous resilience during the pandemic, and we have further benefit from the considerable efficiencies created through aggressive cost cutting as part of the re-organisation of the group. This, combined with a fundamental restructuring of the balance sheet has led us to move into the new financial year profitable, and debt free by April 2021, with the business not drawing at any point on its £7m credit facility with our bankers.

This huge feat has been achieved through the coordinated effort of all of our colleagues within the group. Orchestrated by a focussed leadership team, skilled and experienced in managing through crisis, I could not be prouder of how the combined efforts of everybody within the group have navigated this crisis, and positioned our group for success in what is now likely to be a buoyant and vibrant market place for some time to come.

Of course, none of this would have been possible had it not been for the unwavering support of our clients, suppliers and wider stakeholders. We, as always, remain incredibly grateful for that support, but never more so than during these unprecedented times.

Michael Hogan
Non-Executive Chairman

Strategic Report

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

Principal activities

The principal activities of the Group during the year were civil engineering, house building, and general construction

The principal activity of the Company is that of holding investments.

Overview

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

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

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

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

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

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

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

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

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

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

1. Divestiture of non-core subsidiaries
2. Disposal of non-core development assets
3. Rationalisation of our freehold footprint
4. Reduction in non-core plant and machinery assets
5. Improvement in receivable days through tackling aged debts and overdue retentions.
6. Full paydown of all outstanding credit lines and bank liabilities to become net cash positive

Our balance sheet is now more liquid than it has been for many years, and whilst we continue to rationalise some of our remaining non-core operations, with Finlaysons Contracts in Scotland being an example of that following the trade sale of this business in quarter 3 of 2020, we are now largely complete in this area of our restructuring programme, and are ready to use the strength in our business model and our balance sheet to support the next stage of our strategic plan.

Strategy Update

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

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

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

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

Our 7 point strategic plan focuses on the following :-

1. Targeted growth

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

2. Quality

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

3. Operational Efficiency

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

4. Capital efficiency and Financial Stewardship

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

5. Social Value

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

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

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

6. Talent and Skills

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

7. Health, Safety and Environment

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

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

The Market

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

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

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

Utilities

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

Local Authorities

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

Private Housing

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

Affordable Housing

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

Other Market Factors

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

Key performance indicators

	2020	2019
Turnover, including share of joint ventures from continuing operations	**£236.0m**	£212.6m
Change in turnover from continuing operations	**11.0%**	13.4%
Gross profit margin from continuing operations	**2.5%**	5.4%
Operating loss from continuing operations	**(£3.7m)**	£0.8m
Loss before taxation from continuing operations attributable to owners of the parent	**(£5.1m)**	£0.2m
Cash at bank and in hand	**£15.4m**	£15.3m
Net cash generated from operating activities	**£5.3m**	£10.7m

Business Review

The business reported an underlying operating loss (before exceptional costs) of £3.5m. This loss was heavily influenced by the near 3 months shutdown due to the immediate impact of the onset of the pandemic, followed by ongoing cost and productivity challenges as our operations adapted to working under the restrictions required for Covid secure working. It is difficult to assess the absolute cost of the pandemic on the business. Whilst some of our payroll cost was offset by financial support from the Government's furlough scheme, our use of this scheme was largely terminated by the end of the 2nd quarter. Our broad assessment of the impact of the pandemic on our 2020 earnings is in excess of £6m, through a combination of lost contribution from the temporary cessation of production, increased production costs, programme delays and additional operating costs to support health compliance on site.

A loss before tax for continuing operations of £5.1m is after recording a small loss on disposal of a final tranche of residual Private Housing land in Cumbria, fixed interest costs associated with our group wide credit facility and a specific development loan for a Private Housing scheme at Chilton Moor, near Houghton le Spring.

Notwithstanding the losses above, the group's balance sheet remains strong. Through a relentless focus on capital efficiency and driving improved liquidity, the business has dramatically reduced its usage of a group wide credit facility, showing a net cash position at year end of approximately £14m, compared with approximately £9m at the previous year end.

Future Developments - Financial Year 2021 Outlook

Whilst at the time of writing, the global pandemic is far from over, the Board is pleased with the way the business has adapted to working in what has become the 'new normal' As we entered 2021, we did so with a record order book approaching £300m, a level of liquidity not seen in many years, and a business strategy that on all measures is working well.

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

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

Principal risks and uncertainties

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

The board is confident that the now rationalised and more focussed business model, combined with a set of business activities that are both diverse enough, but similarly complimentary, will enable effective management of risk across all of the sectors in which the Group operates.

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

Risk description	How it is mitigated
Project execution	
The Group undertakes construction, refurbishment and maintenance projects. We need to continue to deliver these within programmes and match or exceed clients' requirements, profitably and within agreed financial parameters. Successful delivery of many of these projects depends on the successful implementation and maintenance of a range of operational and commercial procedures and controls.	Each business unit has defined operating procedures to address the risks inherent in project delivery. Furthermore, a well-established commercial and financial risk management framework is in operation, using structured review meetings and reporting, with key risks identified early in the project delivery. We also have public indemnity cover to provide further safeguards.
Tendering	
Through our different business units, we seek to win profitable work through a large number of competitive tenders and contract negotiations. This depends on our ability to price and add value in our tender offering, driven by an efficient operating model, and a clear focus on quality delivery and added value.	All bids are subject to proven, rigorous estimating and tendering processes within a defined framework, using skilled resources. We have delegated authority levels for approving all tenders and a formal tender review process. We undertake reviews following both successful and unsuccessful tenders to ensure we learn from them and apply those lessons to future tenders. Our culture of added value within the communities in which we work provides a point of differentiation from many of our competitors, producing upper quartile tender success rates. The group has also increased the amount of turnover that is secured via 'land led', directly negotiated or 2-stage tender routes, which significantly reduces the risks and challenges associated with pure competitively tendered projects
People	
We need to recruit and retain the best management and employees. These members of staff should have appropriate competencies and also share our values and behaviours.	We measure all potential recruits for key roles in the organisation against a competency framework. We undertake staff appraisals to review the roles, competencies, performances and potential of personnel. We have a well-developed succession planning process to identify and develop high potential personnel to fill key roles. People matters are reviewed regularly and discussed at all levels within the organisation and by the Board. We have appropriate remuneration and incentive packages to help us attract and retain key employees. We also use a well-connected group of recruitment consultants and advisors to ensure we connect with the best talent within the industry.

Risk description	How it is mitigated
Supply chain	
We are reliant on our supply chain partners for successful operational delivery, which means we are also exposed to a variety of risks in the supply chain.	Our strategic supply chain management processes, where possible, aligns us to large, robust suppliers whose access to material and resources is preferred given their size and scale; a factor equally supported by our own size, regional presence and buying capacity. We develop long-term relationships with our subcontractors, working closely with them to understand their operations and work with them to ensure their capacity planning can be optimised. We aim to work as much as possible with preferred suppliers and subcontractors who undergo rigorous, risk-based prequalification processes and share our values. We aim to avoid becoming over reliant on any one supplier or subcontractor.
Health and safety	
The Group works on projects which require continuous monitoring and management of health and safety risks.	The Group has a highly developed health, safety and environmental process. This process is underpinned by documented procedures and working practices. Policy is set by the Board, and cascaded through the organisation via a team of dedicated health and safety professionals, who continually audit and review on site operations for compliance, as well as liaising with external verification bodies. Accident frequency rates remain well below the industry average. Health and safety remains the first agenda item at all board meetings, and is a critical focus for all directors.
Regulatory, market and economic	
The Group operates in markets and segments that are influenced by a range of external factors. The resilience and performance of the construction sector, and the housing market in particular, is at risk from regulatory change, political change and the impact of monetary policy and financial system regulation.	The Group maintains a diversified portfolio of operating activities, some of which behave in a counter cyclical manner, and most of which are aligned to well-funded, blue chip client bases. The housing market remains stable, but continues to be underpinned by favourable political support and monetary policy, thereby implying risk should these positions change.

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

Streamlined Energy and Carbon Reporting (SECR) disclosure

Quantification and reporting methodology:

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

Operational scopes:

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

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

Intensity measurement:

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

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

Measures taken to improve energy efficiency:
Objectives and measures as follows:

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

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

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

A E Radcliffe
Director
30/09/2021

Corporate Governance

Esh Group Guiding Principles

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

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

Esh Group Sector Directors and Management

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

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

The Esh Group Board and Group Policies

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

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

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

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

The Esh Group Board and Group Policies (continued)

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

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

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

Employment Policies and Procedures

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

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

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

Ethical Governance Approach

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

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

Health and Safety Policy and Procedures

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

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

Directors and Advisors

Michael Hogan, Non-Executive Chairman | Tenure: 50 years

Michael was appointed as Group Chairman on the retirement of Austin Donohoe. Michael is a Founder Director. He set up a fencing contracting business in 1970 and later formed Dunelm Homes and Deerness Fencing. In 1999, he formed Dunelm Castle Homes, a joint venture with Lumsden & Carroll. The relationship with Lumsden & Carroll was formalised later that year with the formation of Esh Holdings, and Michael was previously Group Chairman until 2004.

Andy Radcliffe | Group Chief Executive Officer | Tenure: 11-years

Andrew (Andy) Radcliffe joined Esh Group in 2010 from Moores Furniture Group Limited in Wetherby, where he was Group Finance Director. Andy has extensive experience in several industry sectors and was awarded Yorkshire Finance Director of the Year in 2009. In May 2017, Andy assumed the role of Group Chief Executive Officer.

Stephen Wilkie | Executive Director | Tenure: 33-years

Stephen joined Lumsden and Carroll in 1987 as a trainee Engineer and was appointed Managing Director in 2008. In 2016 he was additionally appointed Executive Director of Esh Group's construction business. Stephen was a board member of CECA for 11 years and is also a Director of Esh Constructions utility JV company, Esh-Stantec. Stephen now oversees Esh Civils across the North East and Yorkshire and Deerness Fencing and Landscaping.

Paul Watson | Executive Director | Tenure: 21-years

Paul joined Lumsden & Carroll in 1999 as a Senior Quantity Surveyor. In 2006 Paul was appointed as Commercial Director of Lumsden and Carroll and became Commercial Director of Esh Construction in 2009. In 2012 Paul was appointed as Esh Group Commercial Director. Since 2019 Paul has taken on the newly formed position of Executive Director with responsibility for all commercial build, social housing and facilities sectors within the business. Paul represents Esh Group on the Constructing Excellence's North East Advisory Group Board.

Phil Brown | Executive Director | Tenure: 15-years

Phil is also a Fellow of the Chartered Institute of Building with over 20 years experience in the private residential sector and with extensive experience within both the public and private sector. Phil joined Esh 14 years ago and is the Executive Director with responsibility for our Private House building business.

Tony Carroll Jnr | Non-Executive Director| Tenure: 28-years

As a family member of Founder Director Tony Carroll Snr, Tony Jnr joined the Board during 2017. Tony is a full-time employee, having joined the company in 1992, currently enjoying the position of Health & Safety Manager.

John Lumsden Jnr | Non-Executive Director | Tenure: 29-years

As a family member of Founder Director John (Jack) Lumsden Snr, John Jnr joined the Board during 2017. John is a full-time employee, having joined the company in 1991, currently enjoying the position of Construction Manager.

Directors and Advisors (continued)

Philip Coates, Non-Executive Director

2017 saw Esh Group welcome Philip Coates as a Non-Executive Director.

Philip enjoyed a 31-year career with Barclays in the North East, retiring at 50 to see a world outside of banking. Since then, he has acted in a financial consultancy role for some local companies and sits on a number of Boards in the area.

Trading Name

Esh Group is a trading name of Esh Holdings Limited.

Company secretary of Esh Holdings Limited

A Law (Appointed 31st Jan 21)

M Sowerby (Resigned 31st Jan 21)

Independent auditors

PricewaterhouseCoopers LLP

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

Legal advisors

Muckle LLP	Swinburne Maddison LLP
Time Central	Venture House
32 Gallowgate	Aykley Heads Business Centre
Newcastle upon Tyne	Durham
NE1 8AS	DH1 5TS

Bankers

Lloyds Bank plc	Nucleus Commercial Finance Limited
4th Floor	Mezzanine Floor
102, Grey Street,	St Albans House, 57-59 Haymarket,
Newcastle upon Tyne	London
NE1 6AG	SW1Y 4QX

Directors' Report

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

Financial instruments

The Group's financial instruments comprise of borrowings (principally a bank loan), cash, share capital, and various items that arise directly from operations (such as trade debtors, trade creditors etc). The main purpose of these financial instruments is to raise finance for the Group's operations and to manage interest rate risk.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year.

Interest rate risk

The Group finances its operations through a mixture of retained profits, share capital, and bank borrowings. The Board, in agreement with their funders, have agreed that the short- to medium-term outlook for interest rates negates the need to initiate any hedging instruments.

Liquidity risk

The group has since 2019, an asset backed loan facility of £9.2m. This allows the group to draw down loan against the level of debtors which are outstanding at any time. This allows the business to manage its working capital in an effective and flexible manner.

At 31 December 2020, the Group had cash at bank and in hand of £15.4m, which is expected to be more than sufficient to fund the working capital needs for the Group.

Credit risk

The Group trades largely with public funded and quasi-public-sector organisations. Whilst the Group engages with private clients, these are credit risk assessed before trading commences and the directors believe that any credit risk is effectively managed. Exposure to credit risk is therefore believed to be limited.

Paid dividends

£nil of dividends were paid in the year (2019 £0.5m).

Share capital

There was no movement in the level of share capital in the year.

Directors

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

A J Carroll Snr
P J Brown
M F Hogan
J G Lumsden Jnr.
A E Radcliffe
M A Sowerby (Resigned 31st Jan 21)
P G Watson
S T Wilkie

Directors' report (continued)

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.

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.

Directors' report (continued)

Section 172 (1) statement

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

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

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.

Directors' report (continued)

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.

Signed on behalf of the Board

A E Radcliffe
Director
Date …………29/09/2021……………

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF

Independent auditors' report to the members of Esh Holdings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

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

		2020			2019		
		Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Turnover							
Group and share of joint ventures		**236,006**	**795**	**236,801**	212,550	8,690	221,240
Less: share of joint ventures' turnover		**(14,216)**	**-**	**(14,216)**	(14,992)	-	(14,992)
Group turnover	1	**221,790**	**795**	**222,585**	197,558	8,690	206,248
Cost of sales		**(216,290)**	**(1,035)**	**(217,325)**	(187,004)	(10,906)	(197,910)
Gross (loss)/ profit		**5,500**	**(240)**	**5,260**	10,554	(2,216)	8,338
Administrative expenses before exceptional items		**(11,773)**	**(476)**	**(12,249)**	(10,941)	(551)	(11,492)
Exceptional administrative expenses		**(216)**	**-**	**(216)**	-	(165)	(165)
Total administrative expenses		**(11,989)**	**(476)**	**(12,465)**	(10,941)	(716)	(11,657)
Share of operating profit in joint ventures		**409**	**-**	**409**	1,145	-	1,145
Other operating income		**2,367**	**197**	**2,564**	-	-	-
Operating (loss)/profit before exceptional items		**(3,497)**	**(519)**	**(4,016)**	758	(2,767)	(2,009)
Operating (loss)/profit after exceptional items	2	**(3,713)**	**(519)**	**(4,232)**	758	(2,932)	(2,174)
Profit/(Loss) on sale of fixed assets		**5**	**-**	**5**	(205)	-	(205)
Loss on sale of investments		**(271)**	**(240)**	**(511)**	(152)	(169)	(321)
Interest receivable and similar income	5	**7**	**-**	**7**	47	-	47
Interest payable and similar expenses	6	**(1,145)**	**-**	**(1,145)**	(935)	-	(935)
Loss before taxation		**(5,117)**	**(759)**	**(5,876)**	(487)	(3,101)	(3,588)
Add back loss attributable to minority interest		**(4)**	**-**	**(4)**	692	-	692
(Loss)/profit before taxation attributable to owners of the parent		**(5,121)**	**(759)**	**(5,880)**	205	(3,101)	(2,896)
Tax on (loss)/profit attributable to owners of the parent	7	**1,303**	**-**	**1,303**	83	410	493
(Loss)/profit for the financial year attributable to owners of the parent		**(3,818)**	**(759)**	**(4,577)**	288	(2,691)	(2,403)

Consolidated balance sheet as at 31 December 2020

	Note		2020		2019
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	9		**-**		-
Tangible assets	10		**9,590**		10,709
Investment properties	11		**387**		387
Investments	12				
Investments in joint ventures and participating interests		**315**		443	
Loans to joint ventures and participating interests		**8,867**		8,815	
			9,182		9,258
			19,159		20,354
Current assets					
Stocks	13	**3,545**		4,927	
Debtors: amounts falling due within one year	14	**45,759**		45,365	
Cash at bank and in hand		**15,365**		15,260	
		64,669		65,552	
Creditors: amounts falling due within one year	15	**(54,317)**		(51,746)	
Net current assets			**10,352**		13,806
Total assets less current liabilities			**29,511**		34,160
Creditors: amounts falling due after more than one year	16		**(960)**		(1,036)
Provisions for liabilities	17		**-**		-
Net assets			**28,551**		33,124

Consolidated balance sheet as at 31 December 2020 (continued)

	Note	**2020**	2019
		£'000	£'000
Capital and reserves			
Called up share capital	19	**22,256**	22,256
Share premium account		**29**	29
Employment benefit trust reserve	19	**(641)**	(641)
Retained earnings		**6,886**	11,463
Total shareholders' funds		**28,530**	33,107
Minority interests	20	**21**	17
Capital employed		**28,551**	33,124

The financial statements on pages 24 to 70 were approved by the board of directors on …29/09/2021………… and were signed on its behalf by:

A E Radcliffe

Director

Company registered number: 03724890

Company balance sheet as at 31 December 2020

	Note		**2020**		2019
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	9				-
Tangible assets	10		**6,689**		6,861
Investment properties	11		**387**		387
Investments	12		**6,274**		6,049
			13,350		13,297
Current assets					
Debtors: amounts falling due within one year	14	**25,938**		30,016	
Cash at bank and in hand		**790**		1,278	
		26,728		31,294	
Creditors: amounts falling due within one year	15	**(19,235)**		(22,400)	
Net current assets			**7,493**		8,894
Total assets less current liabilities			**20,843**		22,191
Creditors: amounts falling due after more than one year	16		**-**		-
Provisions for liabilities	17		**-**		(135)
Net assets			**20,843**		22,056

Company balance sheet as at 31 December 2020 (continued)

	Note	**2020**	2019
		£'000	£'000
Capital and reserves			
Called up share capital	19	22,256	22,256
Share premium account		29	29
Employment benefit trust reserve	19	(641)	(641)
Retained earnings/(accumulated loss)			
At 1 January		**412**	85
(Loss)/Profit for the year		**(1,213)**	827
Other changes in retained earnings/(accumulated loss)		**-**	(500)
At 31 December		**(801)**	412
Total Shareholders' Funds		**20,843**	22,056

The financial statements on pages 24 to 70 were approved by the board of directors on ……29/09/2021……..
and were signed on its behalf by:

A E Radcliffe

Director

Company registered number: 03724890

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

	Called up share capital	Share premium account	Employment benefit trust reserve	Retained earnings	Total shareholders' funds
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2019	22,256	29	(641)	14,366	36,010
Loss for the financial year	-	-	-	(2,403)	(2,403)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(2,403)	(2,403)
Share issuance	-	-	-	-	-
Transfer from Minority interest				-	-
Dividend on shares	-	-	-	(500)	(500)
Balance at 31 December 2019	22,256	29	(641)	11,463	33,107
Loss for the financial year	**-**	**-**	**-**	**(4,577)**	**(4,577)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
Total comprehensive expense for the year	**-**	**-**	**-**	**(4,577)**	**(4,577)**
Share issuance	**-**	**-**	**-**	**-**	**-**
Transfer from Minority interest	**-**	**-**	**-**	**-**	**-**
Dividend on shares	-	-	-	-	-
Balance at 31 December 2020	**22,256**	**29**	**(641)**	**6,886**	**28,530**

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

	Called up share capital	Share premium account	Employment benefit trust reserve	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	22,256	29	(641)	85	21,729
Profit for the financial year	-	-	-	827	827
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	827	827
Share issuance	-	-	-	-	-
Dividend on shares	-	-	-	(500)	(500)
Balance at 31 December 2019	22,256	29	(641)	412	22,056
Loss for the financial year	-	-	-	**(1,213)**	**(1,213)**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**(1,213)**	**(1,213)**
Share issuance	-	-	-	-	-
Dividend on shares	-	-	-	-	-
Balance at 31 December 2020	**22,256**	**29**	**(641)**	**(801)**	**20,843**

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

	Note	2020 £'000	2019 £'000
Cash generated from operating activities	21	**4,743**	10,842
Taxation received		**665**	119
Net cash generated from operating activities		**5,408**	10,961
Cash flow from investing activities			
Purchase of tangible assets		**(125)**	(291)
Purchase of Intangible assets		**-**	(1,275)
Proceeds from disposals of tangible assets		**74**	2,010
Sale/(Purchase) of investment property		**-**	927
Sale of EBT shares		**-**	-
Interest received		**5**	45
Dividends received		**200**	645
Net cash (used in)/ generated from investing activities		**154**	2,061
Cash flow from financing activities			
Repayment of obligations under finance leases		**-**	(1,745)
Repayment of bank borrowings/debt capitalisation		**(4,642)**	(8,806)
Dividends paid		**-**	(500)
Movement in Minority Interests		**-**	716
Interest paid		**(815)**	(739)
Share issuance			-
Net cash used in financing activities		**(5,457)**	(11,074)
Net decrease in cash at bank and in hand		**105**	1,948
Cash and cash equivalents at the beginning of the year		**15,260**	13,312
Cash and cash equivalents at the end of the year		**15,365**	15,260

Statement of accounting policies

General information

Esh Holdings Limited (the "Company") is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Esh House, Bowburn North Industrial Estate, Bowburn, Durham, DH6 5PF.

The principal activities of the Group during the year were building construction, civil engineering and property maintenance. The principal activity of the Company is that of holding investments.

Statement of compliance

The Group and individual financial statements of Esh Holdings Limited have been prepared in compliance with the applicable 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.

Summary of significant accounting policies

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

Basis of preparation

These consolidated and separate financial statements are prepared on the going concern basis, in accordance with applicable UK Accounting Standards, under the historical cost convention as modified by recognition of investment properties and some financial asset and financial liabilities at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in policy "Critical judgements and estimates in applying the accounting policies" within this note.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual statement of comprehensive income.

Going concern

Further information on the group's business activities, together with factors likely to affect its future development are set out in the Chairman's Report, the Strategic Report and the Directors' Report.

Despite recording a loss before tax attributable to owners of the parent of (£5.1m), the Group's continuing operations achieved EBITDA of just (£2.3m) (2019: £0.2m). Closing net assets were £28.6m, including net cash of £15.4m.

The Group also has access to a £9.2m loan facility which is secured against assets within the business and which can be drawn down against the outstanding client applications and sales invoices of Esh Construction Limited and Deerness Fencing & Landscaping Limited.

After making detailed enquiries and taking into account the factors discussed above, the directors of the Parent Company have a reasonable expectation that both the Parent Company and Group have adequate resources to continue in operational existence for the foreseeable future and accordingly continue to prepare the Parent Company and Group financial statements on a going concern basis.

Statement of accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and each of its subsidiary undertakings together with the Group's share of the results of joint venture undertakings and associates made up to 31 December.

(i) Subsidiaries

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Investments in subsidiary undertakings are stated at cost, including those costs associated with the acquisitions, less provision for any impairment in value. Where events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable, an impairment review is performed. An impairment write down is recognised to the extent that the carrying amount of the asset exceeds the higher of the fair value less cost to sell and value in use.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in the retained earnings that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

(ii) **Joint arrangements**

Investments in joint arrangements can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Esh Holdings Limited has joint venture classified as jointly controlled entities.

Interests in jointly controlled entities are accounted for using the equity method (mentioned below) after initially being recognised at cost in the consolidated balance sheet.

(iii) **Associates**

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting (mentioned below).

Statement of accounting policies (continued)

Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost (including transaction costs) and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the profit or loss. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy "Impairment of non-financial assets" mentioned within this note.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where the Group has established employee benefit trusts ('EBT') and/or is the sponsoring entity, notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT or the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated.

As a qualifying entity, the Company may take advantage of the following exemptions:

(i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;

(ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;

(iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the year as required by paragraph 4.12(a)(iv) of FRS 102; and

(iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Statement of accounting policies (continued)

Foreign Currency

(i) *Functional and presentation currency*

The Group financial statements are presented in pound sterling and rounded to thousands.

The Company's functional and presentation currency is the pound sterling.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'interest (expense)/ income'. All other foreign exchange gains and losses are presented within 'Other operating (losses)/gains'.

(iii) *Translation*

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to minority interest as appropriate.

Statement of accounting policies (continued)

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts, intra-group sales and rebates allowed by the Group and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Group recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

(a) *Long/short term contracts*

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.

(b) *Property sales*

Turnover on property sales is recognised upon legal completion of legal title to the customer.

(c) *Supply of service*

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the reporting date turnover represents the value of the service provided to date based on a proportion of the total contract value. Turnover from services is recognised when the service has been performed.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Employee benefits

The Group provides a range of benefits to employees, including holiday arrangements and defined contribution pension plans.

(i) *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is received.

(ii) *Defined contribution pension plans*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The assets of the funds are held separately from those of the Company in independently administered funds. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

The Group also contributes to a self-administered pension scheme on behalf of certain directors. This is a money purchase scheme and contributions are charged to the statement of comprehensive income in accordance with the rules of the scheme.

Statement of accounting policies (continued)

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. 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.

(i) *Current tax*

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 year end.

(ii) *Deferred tax*

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 years 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 year end and that are expected to apply to the reversal of the timing difference.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group’s interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units (‘CGU’s’) that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is 10 years, the period over which the directors consider the Group will derive continuing economic benefit. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Negative goodwill arises where combination fair value of the group’s interest in the assets, liabilities and contingent liabilities acquired exceeds the cost of the business. The Group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss, up to the fair value of non-monetary assets acquired, over the years in which the non-monetary assets are recovered, approximately five years and any excess over the fair value of non-monetary assets in the statement of comprehensive income over the year expected to benefit.

Statement of accounting policies (continued)

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures is held at cost less accumulated impairment losses.

Tangible assets and depreciation

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Freehold buildings	-	50 years
Leasehold properties	-	40 years
Plant and machinery	-	5 years

No depreciation is provided on freehold land.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting year. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Profit on sale of fixed assets'.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit or loss. Investment properties are revalued annually by independent professionally qualified valuers and in the intervening years by the directors with the assistance of independent professional advice as required. Details related to fair value determination of investment properties is mentioned in note 11.

No depreciation is provided in respect of investment properties. The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in Section 16 of FRS 102. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt Section 16 of FRS 102 in order to give a true and fair view.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

Statement of accounting policies (continued)

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the consolidated statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

Leases

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) *Finance lease*

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) *Operating lease*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(iii) *Lease incentives*

Incentives received to enter into an operating lease are credited to the statement of income and retained earnings, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group and Company have taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

Statement of accounting policies (continued)

Stocks

Housebuilding stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated selling price less cost to complete and sell. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads.

Investments in land without the benefit of a planning consent are initially included at cost. Regular reviews are carried out to identify any impairment in the value of the land with consideration to the existing use value of the land, likelihood of achieving a planning consent, and the value thereof. Provision is made to reflect any irrecoverable amounts.

Other 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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Provisions and contingencies

(i) *Provisions*

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) *Contingencies*

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group’s control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

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 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.

Contract work in progress is stated at costs incurred, less those transferred to the statement of comprehensive income, 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.

Financial instruments

Classification of financial instruments issued by the company

Financial instruments issued by the company 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 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; 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 in the reconciliation of movements in shareholders' funds.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Statement of accounting policies (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Related party transactions

The Group has taken advantage of the exemption, as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. The Group discloses transactions with related parties which are not wholly owned with the same Group.

Dividends on shares presented within shareholders' funds

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.

Critical accounting judgements and key source of estimation uncertainty

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Turnover recognition

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

(ii) Long term contracts

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

(iii) Valuation investments in land

Investments in land without the benefit of a planning consent are initially included at cost. Regular reviews are carried out to identify any impairment in the value of the land with consideration to the existing use value of the land, likelihood of achieving a planning consent, and the value thereof. Provision is made to reflect any irrecoverable amounts.

Notes to the financial statements
for the year ended 31 December 2020

1 Group turnover

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

	2020	2019
	£'000	£'000
Construction	**151,285**	142,465
Housing and land	**10,458**	4,333
Property services	**60,766**	58,530
Business support	**76**	920
Group turnover	**222,585**	206,248

2 Operating (loss)/profit after exceptional items

	2020	2019
	£'000	£'000
Operating (loss)/profit is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**1,175**	937
Leased	**-**	453
Amortisation of goodwill	**-**	-
Hire of assets	**8,425**	7,777
Exceptional items:		
Restructuring costs	**216**	165

Exceptional items reflect the one-off impact to the business during the year including £216,000 (2019: £165,000) of restructuring costs.

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

2 Operating (loss)/profit after exceptional items

Auditors' remuneration

	2020	2019
	£'000	£'000
Audit of the consolidated financial statements	**45**	18
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries	**122**	120
Taxation compliance services	**55**	50
Other tax advisory services	**4**	37

3 Directors' emoluments

Company

	2020	2019
	£'000	£'000
Directors' emoluments	**740**	1,150
Company contributions to money purchase pension schemes	**45**	63

The aggregate emoluments of the highest paid director were £251,695 (2019: £442,845), and company pension contributions of £10,877 (2019: £7,804) were made to a money purchase scheme on his behalf.

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**5**	8

All of the Company's directors benefitted from qualifying third-party indemnity provisions.

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

4 Staff numbers and costs

Group

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

	Number of employees	
	2020	2019
Production staff	**314**	329
Administrative staff	**522**	537
	837	866

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	**35,504**	34,622
Social security costs	**3,632**	3,550
Other pension costs (note 24)	**1,422**	1,388
Coronavirus Job Retention Scheme claims	**(2,564)**	
	37,994	39,560

Included in staff costs are redundancy payments of £216,220 (2019: £232,500).

Company

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

	Number of employees	
	2020	2019
Production staff (Weekly Paid)	**-**	-
Administrative staff (Monthly Paid)	**76**	88
	76	88

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

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	**3,399**	3,885
Social security costs	**338**	405
Other pension costs (note 24)	**188**	208
	3,925	4,498

Included in staff costs are redundancy payments of £145,000 (2019: £151,000).

5 Interest receivable and similar income

	2020	2019
	£'000	£'000
Bank interest	**7**	47

6 Interest payable and similar expenses

	2020	2019
	£'000	£'000
On bank loans and overdrafts	**1,145**	908
Finance charges payable in respect of finance leases and hire purchase contracts	**-**	27
	1,145	935

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

7 Tax on loss attributable to owners of the parent

(a) Tax credit included in profit or loss

	2020	2019
	£'000	£'000
UK corporation tax		
Current tax on income for the year	**(18)**	-
Adjustments in respect of prior years	**(42)**	98
	(60)	98
Share of joint ventures' current tax	**9**	64
Total current tax	**(51)**	162
Deferred tax (see note 17)		
Origination/reversal of timing differences	**(1,113)**	(532)
Adjustments in respect of prior years	**(139)**	(123)
Total deferred tax	**(1,252)**	(655)
Tax on loss	**(1,303)**	(493)

(b) Reconciliation of tax credit

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

	2020	2019
Total tax reconciliation	£'000	£'000
Loss before taxation	**(5,880)**	(2,896)
Current tax at 19% (2019: 19%)	**(1,117)**	(550)
Effects of:		
Tax losses		
Gains/rollover relief	**-**	-
Income not taxable	**-**	(151)
Tax Rate changes	**(154)**	(119)
Group relief surrendered/claimed	**16**	13
Deferred tax not provided	**-**	9
Transfer of Trade	**-**	(1,594)
Expenses not taxable for tax purposes	**133**	1,924
Adjustments in respect of prior years	**(181)**	(25)
Total tax credit for the year (see above)	**(1,303)**	(493)

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

7 Tax on loss attributable to owners of the parent (continued)

Tax rate changes

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

8 Dividends

The aggregate amount of dividends paid in the year comprises:

	2020	2019
	£'000	£'000
Non-voting preference shares of £1 each		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**-**	-
Dividends paid in respect of the year	**-**	-
Voting preference shares of £1 each		
Final dividend paid in respect of prior year but not recognised as liabilities in that year	**-**	500
	-	500

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

9 Intangible assets

Group

	Software costs £'000	Goodwill £'000	Negative goodwill £'000	Total £'000
Cost				
At 1 January 2020	9,378	1,128	(2,277)	8,229
Acquisition	-	-	-	-
Disposal	(9,378)	-	-	(9,378)
At 31 December 2020	**-**	**1,128**	**(2,277)**	**(1,149)**
Accumulated amortisation				
At 1 January 2020	9,378	1,128	(2,277)	8,229
Disposal	(9,378)	-	-	(9,378)
Charged in year	-	-	-	-
At 31 December 2020	**-**	**1,128**	**(2,277)**	**(1,149)**
Net book value				
At 31 December 2020	**-**	**-**	**-**	**-**
At 31 December 2019	-	-	-	-

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The following sets out the periods over which goodwill is amortised and the reasons for the periods chosen:

Positive goodwill arising on a number of acquisitions is being amortised over a period of 10 years, the period over which the directors consider that the group will derive continuing economic benefit.

Company

	Software costs £'000	Total £'000
Cost		
At 1 January 2020	9,378	9,378
Disposal	(9,378)	(9,378)
At 31 December 2020	**-**	**-**
Accumulated amortisation		
At 1 January 2020	9,378	9,378
Disposal	**(9,378)**	**(9,378)**
At 31 December 2020	**-**	**-**
Net book value		
At 31 December 2020	**-**	**-**
At 31 December 2019	-	-

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

10 Tangible assets

Group

	Freehold land and buildings	Leasehold properties	Plant and machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	7,182	56	9,623	16,861
Additions	-	-	125	125
Disposals	-	-	(192)	(192)
At 31 December 2020	**7,182**	**56**	**9,556**	**16,794**
Accumulated depreciation				
At 1 January 2020	456	16	5,680	6,152
Charge for year	92	7	1,076	1,175
On disposals	-	-	(123)	(123)
At 31 December 2020	**548**	**23**	**6,633**	**7,204**
Net book value				
At 31 December 2020	**6,634**	**33**	**2,923**	**9,590**
At 31 December 2019	6,726	40	3,943	10,709

Included in the total net book value of plant and machinery is £nil (2019: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets is disclosed in note 2.

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

10 Tangible assets (continued)

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2020	7,170	643	7,813
Additions	-	-	-
Disposals	-	-	-
At 31 December 2020	7,170	643	7,813
Accumulated depreciation			
At 1 January 2020	444	508	952
Charge for year	91	81	172
On disposals	-	-	-
At 31 December 2020	**535**	**589**	**1,124**
Net book value			
At 31 December 2020	**6,635**	**54**	**6,689**
At 31 December 2019	6,726	135	6,861

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

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

11 Investment properties

	Group	Company
	£'000	**£'000**
Valuation and net book value		
At 1 January 2020	387	387
Additions	-	-
Disposal	-	-
Fair value movements	-	-
At 31 December 2020	**387**	**387**

The fair values of the Group's investment property at December 31, 2020 and 2019 have been based on the market comparable approach that reflects recent transaction prices for similar properties, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties / other methods. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The directors have reviewed the open market value of investment properties at the year end and consider the carrying values to be equivalent to open market values.

The historical cost of the Group's investment properties is £387,000 (2019: £387,000).

The historical cost of the Company's investment properties is £387,000 (2019: £387,000).

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

12 Investments

Group

	Shares in joint ventures	Loans to joint ventures	Shares in participating interests	Loans to participating interests	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2020	-	638	60	9,458	10,156
Additions	-	-	-	52	52
Repayments	-	-	-	-	-
Disposal	-	-	-	-	-
At 31 December 2020	**-**	**638**	**60**	**9,510**	**10,208**
Provisions					
At 1 January 2020	-	(366)	(600)	(375)	(1,341)
Disposal	-	-	-	-	-
At 31 December 2020	**-**	**(366)**	**(600)**	**(375)**	**(1341)**
Share of post-acquisition reserves					
At 1 January 2020	443	-	-	-	443
Retained profits less losses	(128)	-	-	-	(128)
Disposal	-	-	-	-	-
At 31 December 2020	**315**	**-**	**-**	**-**	**315**
Net book value					
At 31 December 2020	**315**	**272**	**(540)**	**9,135**	**9,182**
At 31 December 2019	443	272	(540)	9,083	9,258

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

12 Investments (continued)

Company

	Shares in group undertakings £'000	Loans to subsidiaries £'000	Shares in joint ventures £'000	Loans to joint ventures £'000	Loans to participating interests £'000	Total £'000
Cost						
At 1 January 2020	26,407	556	398	366	340	28,067
Addition	-	-	-	-	224	224
Disposal	-	-	-	-	-	-
At 31 December 2020	**26,407**	**556**	**398**	**366**	**564**	**28,291**
Provisions						
At 1 January 2020	(20,698)	(556)	(398)	(366)	-	(22,018)
Disposal	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 31 December 2020	**(20,698)**	**(556)**	**(398)**	**(366)**	**-**	**(22,018)**
Net book value						
At 31 December 2020	**5,709**	**-**	**-**	**-**	**565**	**6,274**
At 31 December 2019	5,709	-	-	-	340	6,049

At the end of 2020 the directors conducted a review of the carrying values of the company's investments in subsidiary undertakings. Based on this the carrying value of the investments are considered to be recoverable.

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

12 Investments (continued)

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

Subsidiary undertakings	Proportion of voting rights and shares held	Nature of business
ABC Rental Properties Limited[1]	100%	Property letting
Boathouse Lane Projects Limited[1]	100%	Land and property development
Border Construction (Holdings) Limited[1,2]	100%	Civil engineering and building contractor
Border Construction Limited[1]	100%	Civil engineering and building contractor
David Wilkinson Building Contractors Limited[1]	100%	Dormant
Deerness Fencing & Landscaping Limited	100%	Fencing contractor
Dunelm (Bowburn) Limited[1]	100%	Land and property development
Dunelm Homes (Seaham) Limited[1]	100%	Housebuilder
Dunelm Homes Limited	100%	Housebuilder
Dunelm National Projects Limited[1]	100%	Property development
Dunelm Property Services Limited[1]	100%	Social housing – refurbishment of new build
Esh Acorn Homes Limited[1]	100%	Housebuilder
Esh Construction Limited	100%	Civil engineering and building contractor
Esh Developments Limited	100%	Land and property development
Esh EBT Trustee Limited	100%	Non- trading
Esh Green Limited[1]	100%	Dissolved 16th July 2019
Esh Homes Limited	100%	Housebuilder
Esh Remedios Limited[1,2]	51%	Site investigation
Finlaysons Contracts Limited[2]	100%	Building contractor Sold September 2020
Green Energies Limited[1]	90%	Dissolved 16th July 2019
J Tonks (Transport) Limited	100%	Waste disposal and recycling
Lumsden & Carroll Limited[1]	100%	Commercial builder

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

12 Investments (continued)

Subsidiary undertakings (continued)	Proportion of voting rights and shares held	Nature of business
Remedios Limited[1,2]	75%	Site investigation
Stephen Easten Building Limited[1]	100%	Commercial builder
Tonks Recycling Limited	100%	Waste disposal and recycling
Tursdale Business Park Limited[1]	41% +12.5%	Property letting
Tursdale Recycling Limited	100%	Waste disposal and recycling
Wilkinson Facilities Services Limited[1]	100%	Property and Facilities Management
Joint ventures		
Boathouse Lane (Freehold) Limited[1]	50%	Non-trading
Eastbourne JV Limited	50%	Housebuilder
Esh Energy Limited[1]	49%	Dissolved 19th November 2019
Esh Stantec Ltd	50%	Civil engineering
Esh Salutation Road Limited	50%	Housebuilder
Heighington JV Limited	50%	Housebuilder
West Park JV Limited	50%	Housebuilder
Micropump (NE) Limited	50%	Plant hire
Middleton St George JV Limited	50%	Housebuilder
Prestige Exclusive Homes Limited[1]	50%	Property development
Participating interests		
Philadelphia Estates Limited[1]	+30%	Property letting
Philadelphia Properties Limited[1]	+30%	Property letting
Speed 8767 Limited[1]	+30%	Property letting
Esh Space The Park Limited[1]	15%	Property development
M62 Developments Limited[1]	43%	Dormant

***voting   +equity   [1]investment held indirectly   [2]Scottish registered company**

Investments are held directly by Esh Holdings Limited (except where noted). All holdings represent ordinary share capital, and with the exception of those noted above all companies are incorporated in England.

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

12 Investments (continued)

The registered office of Esh Holdings Limited is Esh House, Bowburn North Industrial Estate, Durham DH6 5PF. All subsidiaries are also registered at Esh House except for those which are Scottish companies (indicated) which are registered at:

Botany Mill, Roxburgh Street, Galashiels TD1 1PB
Finlaysons Contracts Limited
Border Construction (Holdings) Limited
Esh Remedios Limited
Remedios Limited

13 Stocks

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Land stocks and work in progress	**3,021**	4,477	**-**	-
Raw materials and consumables	**524**	450	**-**	-
	3,545	4,927	**-**	-

The amount of stock recognised as an expense during the year was £14,441,864 (2019: £6,748,179).

There is no significant difference between the replacement cost of the stock and it's carrying amount**.**

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

14 Debtors amounts falling due within one year

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade debtors	**10,369**	11,094	**165**	198
Amounts recoverable on contracts	**19,514**	18,046	**-**	-
Amounts owed by group undertakings	**10,584**	10,299	**24,805**	28,707
Deferred tax	**2,418**	1,174	**174**	-
VAT receivable	**-**	-	**-**	-
Amounts owed by undertakings in which the entity has a participating interest (note 25)	**814**	2,343	**22**	21
Corporation tax recoverable	**-**	289	**-**	348
Other debtors	**669**	601	**274**	271
Prepayments and accrued income	**1,391**	1,519	**498**	471
	45,759	45,365	**25,938**	30,016

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

15 Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts (note 16)	**472**	5,038	**472**	5,038
Obligations under finance leases and hire purchase contracts (note 16)	**-**	-	**-**	-
Payments received on account	**6,071**	2,641	**-**	-
Trade creditors	**6,753**	7,782	**532**	644
Amounts owed to group undertakings	**-**	-	**17,514**	15,907
Amounts owed to undertakings in which the entity has a participating interest (note 25)	**68**	18	**-**	-
Corporation tax	**308**	-	**54**	-
Other taxation and social security	**3,591**	2,283	**252**	384
Other creditors	**1,522**	1,664	**36**	186
Accruals and deferred income	**35,532**	32,320	**375**	241
	54,317	51,746	**19,235**	22,400

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**960**	1,036	**-**	**-**
Other loans	**-**	-	**-**	**-**
Obligations under finance leases and hire purchase contracts	**-**	-	**-**	**-**
	960	1,036	**-**	**-**

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

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

Analysis of debt

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Debt can be analysed as falling due:				
In one year or less, or on demand	**472**	5,038		5,038
Between one and two years	**960**	1,036	**-**	-
Between two and five years	**-**	-	**-**	-
In five years or more	**-**	-	**-**	-
	1,432	6,074	**-**	5,038

Further details of bank loans are provided below:

The Group has access to a £9.2m loan facility which is secured against assets of the business as specified in note 22. Funds can be drawn down against the unpaid client applications and sales invoices in Esh Construction Limited and Deerness Fencing & Landscaping Limited. Interest is charged by a means of a fixed monthly charge of £40.6k for the first £7.0m and 0.58% on any amounts drawn above that level. At 31 December 2020 the balance drawn on the loan was £472k (2019: £5,038k).

The Groups Chilton Moor Development is funded by means of a project specific loan.. Interest is charged at 10% and are secured against the he land and work in progress of the site. At 31 December 2020 the balance drawn on the loan was £960k (2019: £1,036k).

All other loan facilities, including mortgages and hire purchase finance, were repaid in the year.

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

17 Provisions for liabilities

	Note	**Group**	**Company**
		£'000	**£'000**
At 1 January 2020	14	(1,174)	135
Credit to the profit and loss current year	14	(1,113)	(262)
Credit to the profit and loss prior year	14	(139)	(47)
Disposal of business	14	8	-
At 31 December 2020		**(2,418)**	**(174)**

The elements of deferred taxation are as follows:

	Group	**Company**	**Group**	**Company**
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Differences between accumulated depreciation and capital allowances	**(256)**	**(174)**	(209)	(455)
On Losses carried forward	**2,674**	**669**	1,382	319
Total	**2,418**	**1,174**	495	(136)

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

18 Financial instruments

Group
The Group has the following financial instruments:

	Note	**2020**	2019
		£'000	£'000
Financial assets measured at amortised cost:			
Trade debtors	14	**10,369**	11,094
Prepayments and accrued income	14	**1,391**	1,519
Amounts recoverable on contracts	14	**19,514**	18,046
Amounts owed by group undertakings	14	**10,584**	10,299
Amounts owed by undertakings in which the entity has a participating interest	14	**814**	2,343
Other debtors	14	**669**	601
		43,341	43,902
Financial liabilities measured at amortised cost:			
Bank loans and overdrafts	15/16	**1,432**	6,074
Obligations under finance leases and hire purchase contracts	16	**-**	-
Amounts owed to undertakings in which the entity has a participating interest	15	**68**	18
Payments received on account	15	**6,071**	2,641
Trade creditors	15	**6,753**	7,782
Other loans	16	**-**	
Other creditors	15	**1,522**	1,664
Accruals and deferred income	15	**35,532**	32,320
Other taxation and social security	15	**3,591**	2,283
		54,969	52,782

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

18 Financial instruments (continued)

Company
The Company has the following financial instruments:

	Note	**2020 £'000**	2019 £'000
Financial assets measured at amortised cost:			
Trade debtors	14	**165**	198
Prepayments and accrued income	14	**498**	471
Amounts owed by group undertakings	14	**24,805**	28,707
Amounts owed by undertakings in which the entity has a participating interest	14	**22**	21
Other debtors	14	**274**	271
Corporation tax	14	**-**	348
VAT receivable	14	**-**	-
		25,765	30,016
Financial liabilities measured at amortised cost:			
Bank loans and overdrafts	15/16	**472**	5,038
Obligations under finance leases and hire purchase contracts	15	**-**	-
Amounts owed to group undertakings	15	**17,514**	15,907
Trade creditors	15	**532**	644
Other creditors	15	**36**	186
Accruals and deferred income	15	**375**	241
Other taxation and social security	15	**252**	384
		19,181	22,400

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

19 Called up share capital

Group and company

	2020		2019	
	Number of shares	**£000**	Number of shares	£000
Allotted, called up, issued and fully paid				
Non-voting ordinary shares of 0.1p each	9,834,967	10	9,834,967	10
Variable dividend ordinary shares of £1 each	14,286,791	14,287	14,286,791	14,287
Voting preference shares of £1 each	7,959,638	7,959	7,959,638	7,959
	32,081,396	22,256	32,081,396	22,256

Non-voting ordinary shares
Shareholders are entitled to such dividend as may be declared by the Board subject to preferential rights of the voting and non-voting preference shares. Not entitled to vote. On a return of assets, liquidation or winding up entitled to amounts paid up plus balance of any surplus after settlement of rights of other classes of share.

Variable dividend ordinary shares
Shareholders are entitled to such dividend as declared by Board subject to preferential rights of the voting and non-voting preference shares. Not entitled to vote. On return of assets, liquidations or winding up entitled to payment of £1.50 per share, in priority to non-voting ordinary shares only.

Voting preference shares
Shareholders are entitled to dividends as may be declared by the Board in preference to any other class of share other than non-voting preference shares. Entitled to one vote per share. On liquidation, return of assets or winding up they are entitled to payment of £1 per share in preference to all classes of share except non-voting preference shares. Redeemable at Company's option only.

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

19 Called up share capital (continued)

The Group and Company's other reserves are as follows:

The share premium account contains the premium arising on issue of equity shares.

The retained earnings represent cumulative profits or losses, including unrealised profit on the re-measurement of investment properties, net of dividends paid and other adjustments.

Employment benefit trust (EBT) reserve consists of shares repurchased by the Group's Employee Benefit Trust. At the end of the year the EBT held 229,743 preference shares of £1 each (2019: 229,743), nil non-voting shares of 0.1p each (2019: 0.1p) and 305,783 voting ordinary shares of £1 each (2019: 305,783) at a combined cost of £640,972 (2019: £640,972).

None of the shares held by the EBT are under option to employees and none of them have been conditionally gifted to any employees.

20 Minority interests

	Group
	£'000
At 1 January 2020	17
Total comprehensive loss before tax attributable to minority interests	4
At 31 December 2020	**21**

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

21 Reconciliation of operating loss to operating cash flows

	2020 £'000	2019 £'000
Loss for the financial year attributable to owners of the parent	**(4,577)**	(2,403)
Profit/(Loss) for the financial year attributable to minority interest	**4**	(693)
Loss for the financial year	**(4,573)**	(3,096)
Tax on loss attributable to owners of the parent	**(1,303)**	(493)
Tax on loss attributable to minority interest	**-**	1
Net interest income	**1,138**	888
Income from shares in group undertakings	**-**	-
Gain from sale of investments	**511**	321
Loss from joint ventures	**(409)**	(1,145)
Negative goodwill on acquisition	**-**	-
(Loss)/ profit on sale of fixed assets	**(5)**	205
Operating loss	**(4,641)**	(3,319)
Amortisation of intangible assets		-
Depreciation of tangible assets	**1,175**	1,390
Revaluation of investment property		-
Working capital movements		
- Decrease/(increase) in inventories	**1,383**	11,753
- Decrease/(increase) in debtors	**(2)**	(2,513)
- (Decrease)/increase in payables	**6,828**	3,531
Cash generated from operating activities	**4,743**	10,842

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

22 Contingent liabilities

Banking arrangements
The Group funding arrangements are secured by means of charges on the Land and Buildings held within Esh Holdings Limited and Plant and Machinery held in Esh Construction Limited and Deerness Fencing & Landscaping Limited, together with a first ranking debenture across the assets and liabilities of the key group trading companies including Esh Holdings Limited. The amount drawn on the facility at 31 December 2020 amounted to £472k (2019: £5,038k).

There are no other known contingent liabilities.

23 Commitments

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

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

(b) At 31 December the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020	2019
	£'000	£'000
Group		
Operating leases which expire:		
Within one year	**270**	115
Two to five years	**342**	542
More than five years	**-**	-
	612	657

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

24 Pension scheme

Group
The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,376,630 (2019: £1,387,493).

Contributions amounts to £235,944 (2019: £522,962) were payable to the scheme and are included in creditors.

Company
The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £188,554 (2019: £207,937).

Contributions amounting to £29,768 (2019: £64,187) were payable to the scheme and are included in creditors.

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

25 Related party disclosures

Transactions with undertaking in which the Group has a participating interest:

	Sales		Purchases		Debtors		Creditors	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Esh Space The Park Limited - Loan	**-**	-	**-**	-	**-**	512	**-**	-
Micropump (NE) Ltd								
Trade	**9**	11	**55**	5		-	**8**	-
Loan	**-**	-	**-**	-	**21**	21	**-**	-
Prestige Exclusive Homes Limited								
Trade	**-**	-	**-**	-	**7**	3	**-**	-
Loan	**-**	-	**-**	-	**290**	290	**-**	-
Middleton St George JV Limited								
Trade	**276**	215	**1**	-	**56**	18	**1**	2
Eastbourne JV Limited								
Trade	**-**	125	**-**	-	**18**	3	**30**	(16)
Loan	**-**	-	**-**	-		-		-
West Park JV Limited								
Trade	**5,693**	2,095	**-**	-	**373**	414	**-**	-
Salutation Road	**-**	-	**-**	-	**-**	-	**-**	-
Trade	**-**	330	**18**	-	**-**	15	**10**	30
Loan	**-**	-	**-**	-	**-**	1,050	**-**	-
Heighington JV Ltd								
Trade	**347**	336	**6**	-	**49**	17	**19**	2
	6,325	3,112	**80**	5	**814**	2,343	**68**	18

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

Other than the transactions disclosed above, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

The Group do not have any compensation to key management personnel (other than directors) as disclosed in note 3.

The Group owes £nil (2019: £nil) to the directors of Mechplant (North East) Limited. This loan is interest free.

26 Ultimate parent company and parent undertaking of largest group of which the company is a member

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

The largest group in which the results of the Company are consolidated is that headed by Esh Investments Limited, 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.

27 Discontinued operations

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

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