



Esh Construction Limited Annual Report & Financial Statements

for the year ended 31 December 2019



Registered Number 02529939

Esh Construction Limited
Annual report and financial statements
for the year ended 31 December 2019
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Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

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

Overview

In the 2018 report we announced the outcome of our comprehensive strategic review. 2019 was a year focussed on implementing the strategy, something that was not without cost as the results reflect. However, thanks to the commitment and hard work of our staff we left 2019 in a much stronger position and well placed to face the challenges of COVID 19 and the subsequent economic fall-out.

Strategy Update

The 2018 Esh Group strategy review identified five key components. The summary below, provides a reminder of these elements and an update on the actions undertaken through 2019.

1. **Organisational simplification.** During 2018 we reduced our group structure down to six business units. Further consolidation through 2019 reduced this down to a final three businesses:
 - Civil Engineering: delivering new build housing infrastructure through our heritage brand, Lumsden & Carroll, utility and environmental Services primarily through our Esh-Stantec Joint Venture, and large-scale infrastructure works through our Esh Civils brand.
 - Living, Build, Facilities: providing new build and existing stock refurbishment to social housing clients, large building and construction services across a broad range of sectors including education, commercial, healthcare, leisure and industrial, and delivering facilities maintenance and small works to clients with multi location estates and properties.
 - Private Housing: building and selling a range of quality new build homes across North East England through our Homes by Esh brand in conjunction with our joint venture partner.

During 2019 all operations in Scotland and North West England were fully closed and we divested our plant hire business, Mechplant North East, to the management team. Our business is now focussed on delivering from our key operations in the North East and Yorkshire. The Company includes the first two of these three divisions.

2. **Operational Efficiency.** The consolidation of the above businesses has helped to deliver a more efficient organisation. We continued to invest in our back-office processes and IT through our project Gateway with the first solutions being rolled out through 2019.
3. **Capital Efficiency.** The main thrust of this action has been to divest legacy development assets which are not core to the business strategy. In particular, the Group recovered £6m of funding provided into the Philadelphia scheme following a refinancing of the joint venture which owns the scheme. We continued to reduce levels of aged debt and sold our obsolete premises in Cramlington. These actions, enabled us to refinance the business so that the needs of the business are now met through a flexible £9m asset backed borrowing facility.

Esh Construction Limited

Strategy Update (continued)

4. **Managerial Accountability.** The restructuring of the business has enabled us to ensure that there is clear accountability for business performance right through to board level. This has enabled us to embed stronger bidding and financial controls within the business and we expect to see the benefits of this in the years ahead.
5. **Talent Assessment.** Through 2019 we strengthened our management teams through recruitment and development and continue to monitor/develop talent at all levels of the organisation.

Underpinning these five components is our focus on industry leading Health, Safety, Environmental and Quality systems and the Social Value agenda that is at the heart of our organisation.

Strategic Actions

Key strategic actions are:

Civils Business

- Maintain a healthy balance of turnover across both cyclical and non-cyclical sectors.
- Increase average contract size through securing larger infrastructure projects.
- Grow our Yorkshire operation.

Living, Build, Facilities Business

- Increase average contract size and quality through more selective bidding.
- Improve competitiveness through improved supply chain engagement.
- Leverage frameworks to align clients with our broader social value offering.
- Drive our land led pipeline in the Social Housing sector.

Operational Excellence

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

Social Value

- Drive the social value agenda amongst clients to influence local procurement.
- Refresh our social value offering to maintain our leadership position in a post COVID world.
- Enhance our communications to demonstrate our delivered social value success.

Esh Construction Limited

Strategic Actions (continued)

The Market

Demand remains relatively strong in our main markets. Work in the utilities and environmental sector is largely recession proof. We continue to support Northumbrian Water with our services recently being expanded to cover a broader geography.

It is clear that general infrastructure will remain a key target for government stimulus monies as it seeks to rejuvenate the economy and deliver on its 'levelling up' agenda. Our largest ever single project, for Sunderland City Council on phase 3 of their transport corridor has progressed well through 2019 and 2020.

Demand for new housing stock, both private and social, remains strong and is being supported by government initiatives. The key constraint in this market is the availability and affordability of development land. We are active in the Social Housing sector across the North East and Yorkshire with 20 sites active through 2019.

The commercial build sector remains the softest of our key sectors and is the most vulnerable to recession. Ongoing projects in 2019 include the Iron Works development in Central Leeds and Lower Steenberg's Yard Ouseburn Newcastle, both for PFP igloo.

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

Constructing Local

We are passionate about our communities and committed to delivering high-quality, meaningful engagement which makes a real difference to people across our operational areas.

As a Queen's Award winning award-winning, socially responsible organisation we are committed to delivering maximum social and economic benefit for our clients and their communities. We are committed to local employment, the local economy, local education and engagement and have a dedicated team responsible for the delivery of four main outcomes of our 'Constructing Local' Social Value strategy:

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

Working with our business development, bid writing and construction management team, we prepare tailored social and economic value offers for our clients as part of the procurement process, ensuring our resources are used proportionally.

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Key performance indicators

	2019	2018
Turnover (from continuing operations)	£184.2m	£159.9m
Turnover increase/decrease (from continuing operations)	15.2%	(2.8%)
Gross profit margin (from continuing operations)	7.3%	7.2%
Administrative expenses (from continuing operations)	£10.3m	£8.7m
Profit before taxation (from continuing operations)	£3.2m	£2.9m
Cash at bank and in hand	£11.2m	£15.5m

Business Review

Continuing operations reported an in-year profit before tax of £3.2m on turnover of £184m. The final costs associated with the close out of our operations in Scotland and the North West result in losses in discontinued operations of £2.9m, and an overall operating profit of £0.3m.

Cash at bank closed the year at a strong £11.2m. This was down on 2018, due to repayment of Hire Purchase finance as part of a Group Refinance exercise and through some turnover driven growth in working capital.

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

Closing Net Assets were £17.0m of which £11.2m was in cash.

Future Developments - Financial Year 2020 Outlook

The Board continues to carefully monitor market dynamics within the construction sector and whilst at present conditions appear generally stable, certain sectors have individual challenges that have the potential to impact upon performance. Consequently, the Board remains focussed upon maintaining a well-balanced portfolio of operations spanning cyclical and non-cyclical sectors of the market, ensuring we do not stray from our core skills, maintaining positive cash flow and strong liquidity, investing in our people and driving the continuous improvement of process, systems and technology.

Clearly, 2020 has been a year which nobody could have predicted at the outset. The impact of COVID 19 on our lives has led us to operate in a way that we would never have expected. With our strong culture of Health and Safety we have adapted our standards, practices and processes to allow the business to continue to function effectively. The safety of our employees, our supply chain and the wider community remain paramount in all we do.

Whilst concerns exist that some shortages of building supplies may occur, we have yet to see any serious disruption. Liquidity has been good through 2020 and we continue to be vigilant in this area.

The fact that the Group entered 2020 with a strong order book and supportive clients has enabled the business to weather the crisis thus far and we are optimistic that it will continue to do so into 2021, emerging stronger at the other side.

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Principal risks and uncertainties

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

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

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

Risk description	How it is mitigated
<i>Project execution</i>	
<p>The Group undertakes construction, refurbishment and maintenance projects. We need to continue to deliver these within programmes and match or exceed clients' requirements, profitably and within agreed financial parameters.</p> <p>Successful delivery of many of these projects depends on the successful implementation and maintenance of a range of operational and commercial procedures and controls.</p>	<p>Each business unit has defined operating procedures to address the risks inherent in project delivery. Furthermore, a well-established commercial and financial risk management framework is in operation, using structured review meetings and reporting, with key risks identified early in the project delivery.</p> <p>We also have public indemnity cover to provide further safeguards.</p>
<i>Tendering</i>	
<p>Through our different business units, we seek to win profitable work through a large number of competitive tenders and contract negotiations.</p> <p>This depends on our ability to price and add value in our tender offering, driven by an efficient operating model, and a clear focus on quality delivery and added value.</p>	<p>All bids are subject to proven, rigorous estimating and tendering processes within a defined framework, using skilled resources.</p> <p>We have delegated authority levels for approving all tenders and a formal tender review process.</p> <p>We undertake reviews following both successful and unsuccessful tenders to ensure we learn from them and apply those lessons to future tenders.</p> <p>Our culture of added value within the communities in which we work provides a point of differentiation from many of our competitors, producing upper quartile tender success rates.</p>

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Risk description	How it is mitigated
<i>People</i>	
<p>We need to recruit and retain the best management and employees. These members of staff should have appropriate competencies and also share our values and behaviours.</p>	<p>We measure all potential recruits for key roles in the organisation against a competency framework. We undertake staff appraisals to review the roles, competencies, performances and potential of personnel. We have a well-developed succession planning process to identify and develop high potential personnel to fill key roles.</p> <p>People matters are reviewed regularly and discussed at all levels within the organisation and by the Board.</p> <p>We have appropriate remuneration and incentive packages to help us attract and retain key employees. We also use a well-connected group of recruitment consultants and advisors to ensure we connect with the best talent within the industry.</p>
<i>Supply chain</i>	
<p>We are reliant on our supply chain partners for successful operational delivery, which means we are also exposed to a variety of risks in the supply chain.</p>	<p>Our strategic supply chain management processes, where possible, aligns us to large, robust suppliers whose access to material and resources is preferred given their size and scale; a factor equally supported by our own size, regional presence and buying capacity.</p> <p>We develop long-term relationships with our subcontractors, working closely with them to understand their operations and work with them to ensure their capacity planning can be optimised.</p> <p>We aim to work as much as possible with preferred suppliers and subcontractors who undergo rigorous, risk-based prequalification processes and share our values. We aim to avoid becoming over reliant on any one supplier or subcontractor.</p>
<i>Health and safety</i>	
<p>The Group works on projects which require continuous monitoring and management of health and safety risks.</p>	<p>The Group has a highly developed health, safety and environmental process. This process is underpinned by documented procedures and working practices. Policy is set by the Board, and cascaded through the organisation via a team of dedicated health and safety professionals, who continually audit and review on site operations for compliance, as well as liaising with external verification bodies.</p> <p>Accident frequency rates remain well below the industry average.</p> <p>Health and safety remains the first agenda item at all board meetings, and is a critical focus for all directors.</p>

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Risk description	How it is mitigated
<i>Regulatory, market and economic</i>	
The Group operates in markets and segments that are influenced by a range of external factors. The resilience and performance of the construction sector, and the housing market in particular, is at risk from regulatory change, political change and the impact of monetary policy and financial system regulation.	<p>The Group maintains a diversified portfolio of operating activities, some of which behave in a counter cyclical manner, and most of which are aligned to well-funded, blue chip client bases.</p> <p>The housing market remains stable, but continues to be underpinned by favourable political support and monetary policy, thereby implying risk should these positions change.</p>
<i>Business is Curtailed by COVID 19</i>	
COVID 19 forces the business to operate inefficiently, projects to be cancelled and sites closed due to government enforcements.	<p>Based upon government and industry guidance, we have implemented rigorous processes to ensure that all of our operations are Covid secure.</p> <p>Our diverse sector mix ensures that we are not overly exposed to sectors suffering excessive hardship during the pandemic.</p> <p>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.</p> <p>We continue to monitor government financial support schemes to ensure that we are aware of appropriate solutions should they be required.</p>

Signed on behalf of the Board

ST Wilkie

Director

Date.....18th December 2020.....



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Esh Construction Limited

Corporate Governance

Esh Group Guiding Principles

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

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

Esh Group Sector Directors and Management

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

Esh Group maintains a program of continuous improvement in respect of all its internal control. However, during 2018 and 2019 there has been a significant amount of new work undertaken to re-design processes and find technological solutions wherever possible as part of the Gateway Project. Once this transformation is complete and fully launched, it will, together with the recent significant restructuring of the business sectors and their associated management teams, establish a strong position to mitigate both the current and future challenges for the Group.

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.

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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.

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General Data Protection Regulation 2019 (GDPR)

During 2018, GDPR legislation became effective. In preparation, a training and communication programme was put in place. A rigorous audit process was undertaken and a register of all personal data that we hold has been mapped and documented in a data register including how we use it, who we share it with, why we need it and how we communicate to data subjects. In addition to this, the following approach has been adopted:

- Ensuring people throughout the business are aware of GDPR through Group wide communications and inclusion in the Group's induction process.
- Promoting a culture of shared responsibility — it lies with everyone who handles and processes data, not just the data controller. Departments have nominated "GDPR Champions" to ensure data protection principles are observed.

Further details of our Group Policy can be obtained from the Group website.

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Directors' report

The directors present their directors' report and audited consolidated financial statements for the year ended 31 December 2019.

Financial instruments

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

The Group's cash balance of £11.2 m (2018: £15.4m) carries interest at variable rates but the levels of interest receivable are not significant to this group's results.

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

Paid dividends

£2.5m dividends were paid in respect of the previous year (2018 £0.5m).

Result for the year

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

Directors

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

M A Sowerby

A Law

S Leadbitter (resigned 17 December 2019)

A E Radcliffe

M A Sowerby

P Watson

S T Wilkie

J P Davies (resigned 12 July 2019)

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

Employees

The Group gives full consideration to applications for employment from people with disabilities where the requirements of the job can be adequately fulfilled. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to employees with disabilities wherever appropriate.

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

Political contributions

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

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Directors' report (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS "the Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

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

Future developments and risks

The future developments and risks 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.

Esh Construction Limited

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 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.

On behalf of the board.

ST Wilkie

Director

Date 18th December 2020

Esh House

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Esh Construction Limited

Independent auditors' report to the members of Esh Construction Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

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 company 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

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

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

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

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.

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 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 director's responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Esh Construction Limited

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
18 December 2020

Esh Construction Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019			2018	
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations
		£'000	£'000	£'000	£'000	£'000
Turnover						
Group and share of joint ventures		192,047	8,362	200,409	167,233	17,482
Less: share of joint ventures' turnover		(7,841)	-	(7,841)	(7,376)	-
Group turnover	1	184,206	8,362	192,568	159,857	17,482
Cost of sales		(170,762)	(10,611)	(181,373)	(148,302)	(21,970)
Gross profit/ (loss)		13,444	(2,249)	11,195	11,555	(4,488)
Administrative expenses		(10,341)	(620)	(10,961)	(8,720)	(1,424)
Other operating income		-	-	-	77	-
Operating profit/(loss)	2	3,103	(2,869)	234	2,912	(5,912)
Profit on sale of fixed assets		67	-	67	36	-
Interest receivable and similar income	5	2	-	2	5	-
Interest payable and similar expenses	6	(15)	-	(15)	(38)	-
Profit/(loss) before taxation		3,157	(2,869)	288	2,915	(5,912)
Tax on (loss)/profit	7	(130)	545	415	(390)	791
(Loss)/profit for the financial year		3,027	(2,324)	703	2,525	(5,121)
Other comprehensive income		-	-	-	-	-
Total comprehensive (loss)/income for the year		3,027	(2,324)	703	2,525	(5,121)

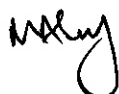
The group had no other comprehensive income during the current or preceding year other than that reflected in the consolidated statement of comprehensive income.

Esh Construction Limited

Consolidated balance sheet as at 31 December 2019

	Note	2019	2018
		£'000	£'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	3,513	4,314
		3,513	4,314
Current assets			
Stocks	12	311	287
Debtors	13	43,544	35,659
Cash at bank and in hand		11,224	15,455
		55,079	51,401
Creditors: amounts falling due within one year	14	(43,731)	(38,660)
Net current assets		11,348	12,741
Total assets less current liabilities		14,861	17,055
Creditors: amounts falling due after more than one year	15	-	(397)
Net assets		14,861	16,658
Capital and reserves			
Called up share capital	17	978	978
Profit and loss account	18	13,883	15,680
Total shareholders' funds		14,861	16,658

These financial statements on pages 17 to 45 were approved by the board of directors on 18th December 2020 and were signed on its behalf by:



M A Sowerby

Director

Company registered number: 02529939

Esh Construction Limited

Company balance sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	3,461	4,239
Investments	11	1,700	1,700
		5,161	5,939
Current assets			
Stocks	12	286	265
Debtors	13	43,159	35,146
Cash at bank and in hand		11,143	16,144
		54,588	51,555
Creditors: amounts falling due within one year	14	(44,899)	(40,516)
Net current assets		9,689	11,039
Total assets less current liabilities		14,850	16,978
Creditors: amounts falling due after more than one year	15	-	(376)
Net assets		14,850	16,602
Capital and reserves			
Called up share capital	17	978	978
Profit and loss account	18		
At 1 January		15,624	18,628
Profit/(loss) for the financial year		748	(2,504)
Dividends		(2,500)	(500)
		13,872	15,624
Total shareholders' funds		14,850	16,602

These financial statements on pages 17 to 45 were approved by the board of directors on 18th December 2020 and were signed on its behalf by:

M A Sowerby

Director

Company registered number: 02529939

Esh Construction Limited

Consolidated statement of changes in equity for the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2018	978	18,776	19,754
Loss for the financial year	-	(2,596)	(2,596)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(2,596)	(2,596)
Dividends	-	(500)	(500)
Balance at 31 December 2018 / 1 January 2019	978	15,680	16,658
Profit for the financial year	-	703	703
Other comprehensive income	-	-	-
Total comprehensive profit for the year	-	703	703
Dividends	-	(2,500)	(2,500)
Balance at 31 December 2019	978	13,883	14,861

Esh Construction Limited

Company statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2018	978	18,628	19,606
Loss for the financial year		(2,504)	(2,504)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(2,504)	(2,504)
Dividends	-	(500)	(500)
Balance at 31 December 2018	978	15,624	16,602
Profit for the financial year		748	748
Other comprehensive income	-	-	-
Total comprehensive profit for the year	-	748	748
Dividends	-	(2,500)	(2,500)
Balance at 31 December 2019	978	13,872	14,850

Esh Construction Limited

Consolidated statement of cash flows for the year ended 31 December 2019

		2019	2018
	Note	£'000	£'000
Cash flow from operating activities	22	(418)	(292)
Taxation received/(paid)		29	(51)
Net cash generated/(used in) from operating activities		(389)	(343)
Cash flow from investing activities			
Purchase of tangible assets		(214)	(53)
Proceeds from disposals of tangible assets		150	180
Interest received		2	5
Net cash (used in)/generated from investing activities		(62)	132
Cash flow from financing activities			
Repayment of obligations under finance leases		(1,265)	(1,275)
Dividends paid		(2,500)	(500)
Interest paid		(15)	(39)
Net cash used in financing activities		(3,780)	(1,814)
Net increase/(decrease) in cash at bank and in hand		(4,231)	(2,025)
Cash and cash equivalents at the beginning of the year		15,455	17,480
Cash and cash equivalents at the end of the year		11,224	15,455

Esh Construction Limited

Statement of accounting policies

Statement of compliance and general information

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

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

Basis of preparation

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

Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. The merger accounting principles have been adopted. Under this method the companies, businesses and assets comprising the Esh Construction Limited Group are presented as if they had been part of this Group from the date on which they joined the Esh Holdings Limited group. This basis of accounting has been adopted in order to present a true and fair view.

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

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

Esh Construction Limited

Statement of accounting policies (continued)

Basis of consolidation (continued)

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

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

Going concern

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

The Company is subject to a group banking arrangement with its immediate parent undertaking, Esh Holdings Limited, and certain other group undertakings. Detailed information regarding the financial position of the group headed by Esh Investments Limited, its cash flows, liquidity position and borrowing facilities are included in the financial statements of Esh Investments Limited, which can be obtained from Companies House.

The Group headed by Esh Holdings Limited recorded a profit before taxation attributable to owners of the parent for the year of £0.2m from continuing operations and had net assets at 31 December 2019 of £33.1m including cash of £15.3m.

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

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

Goodwill

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

Negative goodwill arising on consolidation in respect of acquisitions in the year is included within fixed assets and released to the profit and loss accounts in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale. On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Esh Construction Limited

Statement of accounting policies (continued)

Investments

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

Tangible fixed assets and depreciation

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

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

No depreciation is provided on freehold land.

Government grants

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

Leases

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

Post-retirement benefits

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

Stocks

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

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

Esh Construction Limited

Statement of accounting policies (continued)

Long-term contracts

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

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

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

Taxation

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

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

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

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

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

Dividends

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

Esh Construction Limited

Statement of accounting policies (continued)

Turnover

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

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

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

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

Classification of financial instruments issued by the Group

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

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

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

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

Critical accounting judgements and key source of estimation uncertainty

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

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

Esh Construction Limited

Statement of accounting policies (continued)

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

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

(i) *Turnover recognition*

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

(ii) *Long-term contracts*

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

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019

1 Group turnover

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

	2019	2018
	£'000	£'000
Construction	133,530	135,195
Property services	59,038	42,144
	192,568	177,339

2 Operating (loss)/profit

	2019	2018
	£'000	£'000
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets:		
Owned assets	548	593
Leased assets	383	470
Amortisation of goodwill	-	-
Hire of plant and machinery - operating leases	5,891	5,577
Hire of other assets – operating leases	1,286	1,387

Auditors' remuneration

	2019	2018
	£'000	£'000
Audit of consolidation and parent company	89	89

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Remuneration of directors

	2019	2018
	£'000	£'000
Directors' emoluments	307	492
Company contributions to money purchase pension schemes	14	37
	321	529

The aggregate of emoluments of the highest paid director were £206,549 (2018: £193,807) and company pension contributions of £4,767 (2018: £2,859) were made to a money purchase scheme on his behalf.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2

4 Staff numbers and costs

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

	Number of employees Company		Number of employees Group	
	2019	2018	2019	2018
Production staff	242	253	271	294
Administrative staff	388	402	394	408
	630	655	665	702

The aggregate payroll costs of these persons were as follows:

	Company		Group	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Wages and salaries	26,063	24,560	26,881	25,381
Social security costs	2,691	2,536	2,762	2,608
Other pension costs (note 21)	998	846	1,023	865
	29,752	27,942	30,666	28,854

Included in staff costs for the group are redundancy payments of £150,789 (2018: £242,013).

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Interest receivable and similar income

	2019	2018
	£'000	£'000
Interest receivable from group undertakings	2	5

6 Interest payable and similar expenses

	2019	2018
	£'000	£'000
Finance charges payable in respect of finance leases and hire purchase contracts	15	38

7 Tax on profit/(loss)

Analysis of credit in year:

	2019	2018
	£'000	£'000
UK corporation tax		
Current tax on (loss)/profit for the financial year	-	(1)
Adjustments in respect of prior periods	-	74
Total current tax	-	73
Deferred tax (see note 16)		
Origination/reversal of timing differences	(132)	(524)
Adjustments in respect of prior periods	(297)	-
Effect of decreased tax rate	14	50
Total deferred tax	(415)	(474)
Total tax credit	(415)	(401)

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Tax on (loss)/profit (continued)

Factors affecting the tax credit for the current year

The tax credit for the year is lower (2018: lower) than the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Total tax reconciliation		
Profit/(loss) before taxation	288	(2,997)
Current tax at 19% (2018: 19%)	55	(569)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	32	23
Capital allowances for the year in excess of depreciation		-
Deferred tax not provided	9	23
Tax rate changes	14	56
Group relief paid for at less than full UK tax rate	(19)	9
Transfer pricing adjustments	(209)	-
Adjustments in respect of prior periods	(297)	72
Income not taxable		(15)
Total current tax credit (see above)	(415)	(401)

Tax rate changes

The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015. This reduced the main rate of corporation tax to 19% with effect from 1 April 2017. The rate has been held at this level and so deferred tax assets and liabilities reflect the rate of 19%..

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Dividends

The aggregate amount of dividends comprises:

	Group and company	
	2019	2018
	£'000	£'000
Dividends paid in respect of the current year	2,500	500

The aggregate amount of dividends proposed and not recognised as liabilities as at the year-end is £nil (2018: £nil).

9 Intangible assets

Group

	Negative goodwill £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2019	(2,277)	510	(1,767)
Additions	-	-	-
At 31 December 2019	(2,277)	510	(2,277)
Accumulated amortisation			
At 1 January 2019	(2,277)	510	(1,767)
Charged in year	-	-	-
At 31 December 2019	(2,277)	510	(1,767)
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Intangible assets (continued)

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

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

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

Company

	Goodwill
	£'000
Cost	
At 1 January and 31 December 2019	757
Accumulated amortisation	
At 1 January 2019	757
Charged in year	-
At 31 December 2019	757
Net book value	
At 31 December 2019	-
At 31 December 2018	-

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

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Tangible assets

Group	Freehold property £'000	Leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2019	12	46	6,348	55	1,583	8,044
Additions	-	12	202	-	-	214
Disposals	-	(2)	(366)	(16)	-	(384)
At 31 December 2019	12	56	6,184	39	1,583	7,874
Accumulated depreciation						
At 1 January 2019	12	8	3,118	51	541	3,730
Charge for year	-	8	751	4	168	931
On disposals	-	-	(284)	(16)	-	(300)
At 31 December 2019	12	16	3,585	39	709	4,361
Net book value						
At 31 December 2019	-	40	2,599	-	874	3,513
At 31 December 2018	-	38	3,230	4	1,042	4,314

Included in the total net book value is £nil (2018: £2,696,650) relating to assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £383,141 (2018: £469,677).

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Tangible assets (continued)

Company	Freehold property £'000	Leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2019	12	46	6,348	54	1,449	7,909
Additions	-	12	202	-	-	214
Disposals	-	(2)	(366)	(16)	-	(384)
At 31 December 2019	12	56	6,184	38	1,449	7,739
Accumulated depreciation						
At 1 January 2019	12	9	3,118	50	481	3,670
Charge for year	-	7	751	4	146	908
On disposals	-	-	(284)	(16)	-	(300)
At 31 December 2019	12	16	3,585	38	627	4,278
Net book value						
At 31 December 2019	-	40	2,599	-	822	3,461
At 31 December 2018	-	37	3,230	4	968	4,239

Included in the total net book value is £nil (2018: £2,641,973) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £372,206 (2018: £450,080).

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Investments

Company

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2019	1,700
Additions	-
At 31 December 2019	1,700

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

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

¹Investment held indirectly

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

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

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Stocks

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Raw materials and consumables	311	287	286	265

The amount of stock recognised as an expense during the year was £2,446,818 (2018: £2,330,784).

13 Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	10,298	6,619	10,179	6,481
Amounts recoverable on contracts	15,714	22,066	15,500	21,904
Amounts owed by group undertakings	15,450	5,118	15,432	4,953
Amounts owed by undertakings in which the ultimate parent company has a participating interest (note 23)	22	474	22	474
Deferred tax asset (note 16)	973	558	958	555
Corporation tax	-	12	-	12
Other debtors	192	36	190	36
Prepayments and accrued income	895	776	878	731
	43,544	35,659	43,159	35,146

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

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

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts (note 15)	-	867	-	840
Payments received on account	2,579	1,231	2,578	1,227
Trade creditors	6,511	4,425	6,440	4,378
Amounts owed to group undertakings	1,195	592	2,617	2,689
Amounts owed to undertakings in which the ultimate parent company has a participating interest (note 23)	-	-	-	-
Corporation tax	17	-	17	-
Other taxation and social security	1,696	1,231	1,616	1,138
Other creditors	1,208	920	1,194	901
Accruals and deferred income	30,525	29,394	30,437	29,343
	43,731	38,660	44,899	40,516

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

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	-	397	-	376

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

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

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	-	887	-	858
In the second to fifth years	-	417	-	382
	-	1,304	-	1,240
Less future finance charges	-	(40)	-	(24)
	-	1,264	-	1,216

16 Deferred taxation

	2019	2019
	Group	Company
	£'000	£'000
At beginning of year – asset	558	555
Credit to the consolidated statement of comprehensive income for the year	118	115
Credit to the consolidated statement of comprehensive income for prior year	297	288
At end of year – asset	973	958

The elements of deferred taxation are as follows:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Differences between accumulated depreciation and capital allowances	162	557	155	554
Other timing differences	-	1	-	1
Losses	811	-	803	-
Deferred tax asset	973	558	958	555

Notes to the financial statements for the year ended 31 December 2019 (continued)

Esh Construction Limited

17 Called up share capital

	Group and company			
	2019		2018	
	Number of shares	£000	Number of shares	£000
Authorised, Allotted, called up and fully paid				
Ordinary shares of £1 each	978,150	978	978,150	978

18 Profit and loss account

Group

	£'000
At 1 January 2019	15,680
Profit for the financial year	703
Dividend	(2,500)
At 31 December 2019	13,883

Company

	£'000
At 1 January 2019	15,624
Profit for the financial year	748
Dividend	(2,500)
At 31 December 2019	13,872

19 Contingent liabilities

The company is party to a group funding arrangement with certain of the companies in the Esh group. Funding of up to £9.2m is available to be drawn down against the debtors of Esh Construction Limited and Deerness Fencing & Landscaping Limited. Security is provided to the funder, Nucleus Commercial Finance Limited, by means of charges on the Land and Buildings held within Esh Holdings Limited and Plant and Machinery held in Esh Construction Limited and Deerness Fencing & Landscaping Limited, together with a first ranking debenture across the assets and liabilities of certain group companies (including the Company). The amount drawn on the facility at 31 December 2019 amounted to approximately £5m (2018: £nil).

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

20 Commitments

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

	2019	2018
	£'000	£'000
Group and Company		
Contracted	111	-

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

	Other		Land and buildings	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Group and Company				
Operating leases which expire:				
Within one year	89	203	14	-
In the second to fifth years inclusive	309	483	131	145
	398	686	145	145

21 Pension scheme

Group

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £1,023,350 (2018: £864,556).

There were outstanding contributions at the end of the financial year of £419,957 (2018: £79,502).

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

	2019	2018
	£'000	£'000
Profit/(loss) for the financial year	703	(2,596)
Tax on profit/(loss)	(415)	(401)
Net interest expense	13	33
Profit on sale of fixed assets	(67)	(36)
Operating profit/(loss)	234	(3,000)
Amortisation of intangible assets	-	-
Depreciation of tangible assets	931	1,063
Working capital movements		
- Decrease in inventories	(24)	58
- Decrease in debtors	(7,480)	6,009
- Increase/(decrease) in payables	5,921	(4,422)
Cash flow generated/(used in) from operating activities	(418)	(292)

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Related party disclosures

	Group							
	Sales		Purchases		Debtors		Creditors	
	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Participating interests							-	
Esh Space The Park Ltd		-		-		-	-	-
Prestige Exclusive Homes Ltd		-		-	-	20	-	-
Micropump (NE) Ltd	11	14	3	42	-	-	-	-
Salutation Road	72	106	-	-	3	72	-	-
Eastbourne JV	-	-	-	-	16	370	-	-
Heighington JV	-	-	-	-	3	12	-	-
	83	120	3	42	22	474	-	-
Fellow subsidiaries								
Mechplant (North East) Ltd	22	186	55	1,025	-	-	-	138

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

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

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

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

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

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

Esh Construction Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

25 Discontinued operations

In 2019 the Group announced restructuring plans, which included closing down several business units. These business units include the Group's operations in Scotland and North West England.

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

26 Post balance sheet events

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, it is difficult for the company to estimate with reliable certainty the impact these events will have on the company's financial position, results of operations or cash flows in the future. The directors have performed a detailed assessment of the company's ability to continue as a going concern and have not identified any issues. The directors will continue to monitor the impact of the Coronavirus on the activities of the company.