

# Esh Construction Limited

Annual report and  
financial statements

for the year ended 31 December 2023  
**Registered Number 02529939**



**Esh Construction Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2023**  
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# **Esh Construction Limited**

## **Strategic Report**

The directors present their strategic report for the year ended 31 December 2023

### **Principal activities**

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

### **Overview**

Our industry continued to wrestle with a range of challenges during 2023, the majority of which related to the hangover from the global pandemic, and the additional pressures caused by geopolitical events. Unlike many other industries, dramatic economic shocks take considerable time to work out, mainly due to the long term contract nature of construction revenues.

Moreover, broader macroeconomic factors continued to weigh on our industry, with demand generally subdued, particularly within the Private Housing market, linked to higher borrowing costs and the impact of persistently high inflation, alongside a number of key development projects paused or delayed as investors worked to adjust their business models to higher funding and credit costs.

These broader pressures took a heavy toll on industry participants all the way through the supply chain, with those lacking in the necessary financial and operational strength suffering the ultimate fate. These insolvencies are tragic for all those involved, but in many respects, they have cleared space for organisations like ours to grow our market share, which has very much been the case for Esh Construction during the year

Our business model stands out for its inbuilt resilience. A detailed analysis of the construction market carried out several years ago has driven a fundamental redesign of this business model to ensure resilience and predictability over the economic cycle. Our decision to rebalance from the heavy exposure to the cyclical private sector, to a more evenly balanced spread across the private sector, public sector and the utilities sector has insulated us from the worst effects of cost inflation and supply chain pressures, ostensibly due to the favourable type and duration of contracts that our chosen sectors operate under.

### **Business Model**

Our business model centres around 4 key market segments that demonstrate behaviours that are classed as cyclical, counter cyclical and non cyclical, and are all blended in a complimentary manner. The following represents an overview of their dynamics.

### **Utilities and Environmental Services**

Our work for Northumbrian Water and the Environment Agency (EA) sits within this segment. Having recently secured our position on new, multi-year frameworks for both clients, we are poised to see considerable growth in revenues. Pressure to invest in wastewater and flood management infrastructure has never been higher, with both Northumbrian Water and the EA rolling out the largest capital programmes in their history. Through our strategic partnership with global engineering giant Stantec Inc, we remain well placed to benefit from very high levels of demand over the coming years.

# Esh Construction Limited

## Strategic Report (continued)

### Local Authorities

Whilst the public purse is under growing pressure from broader fiscal constraints, our chosen geographies continue to demonstrate resilience, driven in the large part by the 'level up' agenda, and the need to regenerate the many deprived areas that exist in our regions. High profile schemes like Teesworks, Sunderland Riverside, A66 widening, AIM improvement, Durham Towns Regeneration, Newcastle Quayside and South Tyneside industrial programme are creating a general 'halo' effect on the broader infrastructure market, and with our place on key procurement frameworks, demand remains strong, supported by both central and local government funding.

### Private Housing

Private Housing demand saw a considerable reduction in the autumn of 2022 following the 'mini budget'. This marked the end of a period of significantly inflated volumes and prices for this market, and so a period of rapid adjustment followed.

Volumes reduced, with prices at best remaining flat. This is a characteristic noted by all private housebuilders.

Moreover, with the ongoing impact of the cost of living, alongside an increase in borrowing costs to levels not seen for nearly 20 years, buyer sentiment has also been markedly subdued. Combine these factors with ongoing regulatory and planning challenges, then overall volumes have inexorably fallen since their peak in 2022.

In many respects, this was a necessary adjustment, as volume growth had put immense pressure on already constrained supply chains, with this being a major factor in the exceptionally high levels of input cost inflation seen since the easing of restrictions following the pandemic.

The company's participation in this segment is indirectly as part of the supply chain via our civil engineering and groundworks business, Lumsden and Carroll, and at a local level, our experience has been somewhat different to the broader market rhetoric.

Lumsden & Carroll has not seen a material reduction in orders, and whilst production releases have been truncated compared with the heady days of 2021/2022, it appears many of the larger housebuilders are focussing on a greater number of outlets to achieve their volumes, supporting a healthy level of tenders and enquiries for this business.

Moreover, employment levels in a region that has a large amount of public sector workers, has remained reasonably stable, supporting buyer confidence in the face of broader economic headwinds.

That said, management remain focussed on all leading indicators, with an intensive focus on sales rates, mortgage approvals, cancellation rates and cycle time from reservation to exchange being key metrics for understanding future market behaviour, thus allowing us to be ready to adapt the business to whatever conditions ultimately prevail.

Over the long run, management remain confident in the rationale to retain a balanced exposure to this segment, with the ongoing shortage of new housing exacerbated by the pandemic years, and the more recent affordability challenges.

# Esh Construction Limited

## Strategic Report (continued)

### Affordable Housing

This segment is continuing its journey of adjustment to a new level of build costs following the rampant inflation seen over the last 24 months, alongside substantial changes to build codes and regulations, adding further cost burdens. With headline rental income barely tracking general inflation, scheme viability has come under considerable pressure. This has led to a number of schemes falling away, alongside Social Landlords prioritising schemes within capital constraints as they balance the need for new construction alongside a burgeoning need to improve the standard, as well as the carbon efficiency, of their housing stock.

Government grant funding via Homes England has increased substantially over the last 18 months in an effort to close some of the viability gaps, and whilst this has enabled an number of projects to come forward, the planning system and its inherent bureaucracy, in addition issues surrounding the satisfaction of nutritional and bio-diversity regulations, is adding further delays to scheme commencements.

For our group, these factors have been mitigated in the large part by a considerable increase in market share, driven by a combination of our relationship management and framework participation, as well as market space cleared by a number of key competitors who have either ceased trading or withdrawn from the market to focus on other areas.

We have also seen a growing positivity from our strategy to pivot our route to market to be more land led (where we source and control the land). We have the largest pipeline of land led projects since we embarked on this strategy, with these projects containing an inherently lower risk than a traditional single stage tendered project. We are quickly approaching around 60% of our new build revenues secured through this channel.

And at a macro level, this market segment continues to demonstrate very strong long term fundamentals.

The country remains desperately short of new affordable housing, and with a reduced level of Section 106 availability due to the reduced level of private sector new build, alongside a dramatic increase in the cost of private rental housing, this demand is set to increase and remain elevated over the medium to long term. And with this priority central to both main political parties, this situation is unlikely to change regardless of the outcome of the imminent general election.

Furthermore, there remains a growing demand for existing stock repair and maintenance (R&M), fuelled by the net zero commitment to decarbonise residential dwellings, as well as the high profile cases of damp and mould making many social housing dwellings unsafe and uninhabitable. Our R&M division is exceptionally well placed to capitalise on this opportunity having recently secured places on key procurement frameworks for this kind of work.

### Summary

The deep market analysis that was carried out several years ago has led to a business model designed to even out the peaks and troughs of the construction industry's demand profile over the economic cycle. This design has proven its success, enabling us to avoid the worst of the pressures the industry has experienced, and has been complimented by robust and prudent financial disciplines ensuring the business had the appropriate resources to succeed – these factors have seen us through the challenging times, and will now set us up to capitalise on the recovery, and then growth, that the industry will experience over the coming years.

And key factors in delivering the next stage of our strategy will continue to be our team of highly skilled and dedicated colleagues, our valued clients, our supportive and loyal supply chains and our community of broader stakeholders. We would like to thank them all for their continued support.

# Esh Construction Limited

## Strategic Report (continued)

In return, our group will strive to become the 'trusted expert' for our clients, with a laser focus on quality, dependability, innovation and continuous improvement, whilst continuing to drive lasting social and economic value for the communities in which we work, all the while, doing it to the highest level of safety and environmental standards.

### Key Performance Indicators

	2023	2022
	£	£
Turnover, including share of joint ventures	£247.9m	£239.7m
Change in turnover	3.4%	3.9%
Gross profit margin	5.9%	5.5%
Operating profit	£2.8m	£2.5m
Profit before taxation attributable to owners of the parent	£2.9m	£3.1m
Cash at bank and in hand	£16.6m	£11.9m

### Business Review

Whilst our business model has very much insulated us from the worst of the challenges experienced by the broader industry, our company has not, of course, been completely immune to all the effects.

2023 very much played out as a 'game of two halves'.

The first half of the year was dominated by completing the tail end of our restructuring programme, with the final measures including the disposal of our Facilities Management business, alongside downsizing our commercial build operations. We also closed out a number of jobs that had been heavily impacted by inflation, as well as delays and quality issues stemming from supply chain failures.

The second half of the year saw a considerable recovery in earnings as these matters were put behind us, supported by a raft of new contract wins that are free of inflation challenges, marking a considerable shift in our underlying earnings. Notable during the year was yet another record performance from our Civil Engineering division.

More notable, however, is the dramatic increase in the size of the company's order book. Following a considerable growth in share of the new build affordable housing market, a proportion of which being due to the demise of a range of competitors, alongside the securing of some major civil engineering projects (Tyne Bridge Restoration, Stockton Waterfront Urban Park), and of course the securing of a place on the 12 year Northumbrian Water AMP8 Enterprise framework, the forward order book is now well in excess of £1bn, the highest it has ever been for the group. Moreover, this order book comprises contracts that are in a form and structure that allows the company to more effectively manage the risk / reward equation.

The company continues to maintain a strong balance sheet at £20.4m, £16.6m of which is in net cash, with further liquidity of £6m available on the company's undrawn credit line, taking total liquidity to £23m.

# **Esh Construction Limited**

## **Strategic Report (continued)**

This liquidity is the product of strong EBITDA, and a tremendous working capital performance. The company remains focussed on driving capital efficiency across all of its operations, with 'gold standard' working capital processes. During the year, the company refinanced its existing credit facilities to a new £6m, three-year credit line at considerably lower cost than the previous facility, despite increased bank base rates.

### **Future Developments - Financial Year 2024 Outlook**

Clearly the broader economic picture continues to demonstrate some degree of volatility. The board will continue to monitor macro economic events to ensure that the business is equipped to navigate whatever circumstances prevail.

That said, the strength of the order book, alongside the final bleed out of contracts that were heavily impacted by inflation and supply chain challenges, gives rise to a more favourable backdrop for 2024.

Moreover, the inflationary environment remains relatively benign, with some moderate increases expected in material costs to be offset by a notable level of deflation in the cost of labour and trades. This, along with a palpable improvement in the availability of both material and labour resources indicates a more stable operating environment during 2024.

With an anticipated expansion in volumes during the year, the board remains cautiously optimistic for further improvements in earnings and liquidity.

### **Principal risks and uncertainties**

The construction industry is exposed to numerous risks and challenges, which most recently has included macro economic uncertainty and considerable pressures from supply chain constraints and input cost inflation. The management team remains vigilant to these risks and challenges, and will continue to adapt the organisation to the environments within 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 diverse enough, yet sufficiently complimentary, will enable effective management of risk across all of the sectors in which the company operates.

The principal risks faced by the company 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.

Some of these risks are managed across the wider Esh Group, via Group shared services, and as such, those appropriate are narrated as such.

# Esh Construction Limited

## Strategic Report (continued)

Risk description	How it is mitigated
<i>Project execution</i>	
<p>The company 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, social and economic 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 delivering social 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> <p>The company has also increased the amount of turnover that is secured via 'land led', directly negotiated or two-stage tender routes, which significantly reduces the risks and challenges associated with pure competitively tendered projects.</p> <p>The company maintains strict controls around risk pricing, particularly associated with input cost inflation and resource availability, ensuring that the significant impact of recent inflationary pressures and shortages is mitigated going forward.</p>
<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, which includes the selective allocation of growth equity, 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> <p>The future growth in revenues will require additional resources, which is assessed and planned as part of a group wide organisation review process</p>



# Esh Construction Limited

## Strategic Report (continued)

Risk description	How it is mitigated
<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. The group is also exposed to the global issue of cost price inflation</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> <p>Through selective procurement allocation, we have been able to leverage strong commitment from our supply chain to ensure maximum availability of materials and labour. The group has robust forward planning processes to provide our supply chains with as much forward visibility as possible, significantly mitigating the risk of supply shortages.</p> <p>Moreover, we have, where sensible, concentrated spend with core suppliers to maximise rebate opportunities, which has served to mitigate the impact of inflation over recent years.</p> <p>The group also carries out comprehensive procurement strategy reviews, detailing opportunities for cost down, inflation mitigation, price benchmarking, specification changes and supply re-sourcing.</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> <p>Main board directors, including the CEO, regularly carry out site visits to validate and verify safety compliance and standards</p>
<i>Regulatory, market and economic</i>	
<p>The company 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>	<p>The company 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 board is alive to the challenges currently faced by the private housing market, and has plans in place to mitigate the impact of any material decline by shifting resources to carry out intra-company work, as well as rightsizing the operating cost base to align to any significant reduction in turnover.</p> <p>Moreover, the company is confident that its balanced portfolio of revenues will permit a reasonable smoothing of cyclical patterns across industry segments, with other revenue streams rising to compensate for falls elsewhere.</p>

# Esh Construction Limited

## Strategic Report (continued)

Risk description	How it is mitigated
<b><i>Business process and IT systems</i></b>	
To continue to expand the business, Esh Group acknowledge that information and associated technology must be robust and meet business needs.	The 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
<b><i>Business is Curtailed by COVID 19</i></b>	
The after effects of the Covid-19 pandemic continue to exert operational challenges on the company	With inflationary pressures now subsiding, and supply chains restored to near normal levels, the board considers the impact of the pandemic to be significantly reduced for the company going forward. However, the learning from the pandemic is now embedded in our risk management processes, with appropriate tools ready to be deployed should such a situation re-occur.

### 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 2021 UK Government's Conversion Factors for Company Reporting.

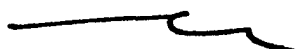
# Esh Construction Limited

## Strategic Report (continued)

### Operational scopes:

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

	Current year	Previous year
UK Greenhouse gas emissions and energy use data for the period 1st January to 31 December	2023	2022
Energy consumption used to calculate emissions (kWh)	33,466,437	39,820,712
Energy consumption breakdown (kWh):		
• gas	86,647	137,244
• electricity	80,725	101,586
• wood burning	0	0
• purchased fuel	33,299,064	39,581,882
<b>SCOPE 1 emissions in metric tonnes CO2e</b>		
Gas consumption	15.60	24.70
Purchased fuel - diesel, petrol & gas oil	7,084.33	8,439.42
Wood burning	0	0
<b>Total Scope 1</b>	<b>7,099.93</b>	<b>8,464.12</b>
<b>SCOPE 2 emissions in metric tonnes CO2e</b>		
Purchased electricity	19.72	19.64
<b>Total Scope 2</b>	<b>19.72</b>	<b>19.64</b>
<b>SCOPE 3 emissions in metric tonnes CO2e</b>		
Business Travel in employee owned vehicles	1,383.51	1,479.44
<b>Total Scope 3</b>	<b>1,383.51</b>	<b>1,479.44</b>
<b>Total gross emissions in metric tonnes CO2e</b>	<b>8,500.15</b>	<b>9,963.21</b>
<b>Intensity ration Tonnes per employee</b>	<b>13.51</b>	<b>15.84</b>



AE Radcliffe  
**Director**  
 26<sup>th</sup> June 2024

# **Esh Construction Limited**

## **Corporate Governance**

### **Esh Group Guiding Principles**

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

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

### **Esh Group Sector Directors and Management**

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

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

### **The Esh Group Board and Group Policies**

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

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

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

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

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.

# Esh Construction Limited

## Corporate Governance (continued)

### **The Esh Group Board and Group Policies (continued)**

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.

# **Esh Construction Limited**

## **Directors' report**

The directors present their directors' report and audited financial statements for the year ended 31 December 2023.

### **Financial instruments**

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

The Company's cash balance of £16.6m (2022: £11.9m) carries interest at variable rates but the levels of interest receivable are not significant to this company'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**

£nil dividends were paid in respect of the previous year (2022 nil).

### **Result for the year**

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

### **Directors**

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

AE Radcliffe  
S T Wilkie  
A Law

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

### **Employees**

The Company 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 Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to employees with disabilities wherever appropriate.

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

### **Political contributions**

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

# **Esh Construction Limited**

## **Directors' report (continued)**

### **Statement of directors' responsibilities**

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

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

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

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

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

### **Disclosure of information to auditors**

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

### **Future developments**

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

### **Independent auditors**

New auditors were appointed during the year, Armstrong Watson Audit Ltd. The previous auditors PricewaterhouseCoopers LLP resigned following completion of the 2022 audit.

# Esh Construction Limited

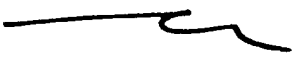
## Directors' report (continued)

### Section 172 (1) statement

The Esh Group's 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, examples of how the board has considered the matters set out in Section 172 (1) are detailed below:

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

On behalf of the board

  
A E Radcliffe  
Director  
26<sup>th</sup> June 2024

Esh House  
Bowburn North Industrial Estate  
Bowburn  
Durham  
United Kingdom  
DH6 5PF



## **Esh Construction Limited**

### **Independent auditors' report to the directors of Esh Construction Limited**

#### **Opinion**

We have audited the financial statements of Esh Construction Limited ('the company') for the year ended 31st December 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

# **Esh Construction Limited**

## **Independent Auditors' Report to the Directors of Esh Construction Limited (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 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 available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Esh Construction Limited**

### **Independent Auditors' Report to the Directors of Esh Construction Limited (continued)**

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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management and review of appropriate industry knowledge;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and tested the operating effectiveness of key controls on a sample basis; and
- reviewed the application of accounting policies with focus on those with heightened estimation uncertainty.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

## **Esh Construction Limited**

### **Independent Auditors' Report to the Directors of Esh Construction Limited (continued)**

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Turner (Senior Statutory Auditor)  
For and on behalf of  
Armstrong Watson Audit Limited  
Chartered Accountants & Statutory Auditors  
Newcastle upon Tyne  
26 June 2024

## Esh Construction Limited

### Statement of comprehensive income for the year ended 31 December 2023

		2023	2022
	Note	£'000	£'000
<b>Turnover</b>	1	247,889	239,734
Cost of sales		(233,322)	(226,568)
<b>Gross Profit</b>		14,567	13,166
Administrative expenses		(11,754)	(10,686)
<b>Operating profit</b>	2	2,813	2,480
Interest receivable and similar income	5	3	-
Profit on sale of fixed assets		92	147
Profit on sale of investments		-	452
<b>Profit before taxation</b>		2,908	3,079
Tax on profit	6	(297)	(481)
<b>Total comprehensive income for the year</b>		2,611	2,598

All results derive from continuing operations.

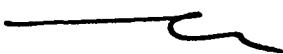
The company had no other comprehensive income during the current year or preceding year other than that reflected in the statement of comprehensive income.

# Esh Construction Limited

## Balance sheet as at 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Tangible assets	8	2,478	3,292
Investments	9	1,271	1,271
		<b>3,749</b>	<b>4,563</b>
<b>Current assets</b>			
Stocks	10	506	721
Debtors: amounts falling due within one year	11	55,664	53,290
Cash at bank and in hand		16,603	11,946
		<b>72,772</b>	<b>65,957</b>
Creditors: amounts falling due within one year	12	(56,153)	(52,763)
<b>Net current assets</b>		<b>16,619</b>	<b>13,194</b>
<b>Total assets less current liabilities</b>		<b>20,368</b>	<b>17,757</b>
<b>Net assets</b>		<b>20,368</b>	<b>17,757</b>
<b>Capital and reserves</b>			
Called up share capital	14	978	978
Profit and loss account	15	19,390	16,779
<b>Total shareholders' funds</b>		<b>20,368</b>	<b>17,757</b>

The financial statements on pages 19 to 37 were approved by the board of directors on 26<sup>th</sup> June 2024 and were signed on its behalf by:



A E Radcliffe  
Director

Company registered number: 02529939

## Esh Construction Limited

### Statement of changes in equity for the year ended 31 December 2023

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
<b>Balance at 1 January 2022</b>	<b>978</b>	<b>14,181</b>	<b>15,159</b>
Profit for the financial year	-	2,598	2,598
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,598</b>	<b>2,598</b>
Share issuance	-	-	-
Dividend on shares	-	-	-
<b>Balance at 31 December 2022</b>	<b>978</b>	<b>16,779</b>	<b>17,757</b>
Profit for the financial year	-	2,611	2,611
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,611</b>	<b>2,611</b>
Share issuance	-	-	-
Dividend on shares	-	-	-
<b>Balance at 31 December 2023</b>	<b>978</b>	<b>19,390</b>	<b>20,368</b>

# Esh Construction Limited

## Statement of accounting policies

### Statement of compliance and general information

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

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

### Basis of preparation

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

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.

The Company has taken advantage of the following exemptions:

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

### Going concern

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

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

The Group headed by Esh Holdings Limited recorded a profit before taxation attributable to owners of the parent for the year of £3.1m from continuing operations and had net assets at 31 December 2023 of £35.6m including cash of £16.9m.

After making detailed enquiries and taking into account the factors discussed above, the Board is confident that the Company 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.



# Esh Construction Limited

## Statement of accounting policies (continued)

### 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.

### 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

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the year 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 and work in progress

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 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.

Current tax is the amount of income tax payable in respect of the taxable loss for the year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year 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 year end and that are expected to apply to the reversal of the timing difference.

### **Dividends**

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

### **Turnover**

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

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

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

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

# **Esh Construction Limited**

## **Statement of accounting policies (continued)**

### **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.

# Esh Construction Limited

## Statement of accounting policies (continued)

### **Turnover**

Turnover from private housing sales and land is recognised when transactions have legally completed. Sales incentives are substantially cash in nature but include part-exchange costs which mainly relate to amounts written down, where the part-exchange allowance given to the purchaser of the new home is greater than the valuation of the part-exchange property. Incentives are accounted for by reducing the house build revenue by the cost to the company of providing the incentive.

Sales incentives also include shared equity schemes which are accounted for in other debtors. Revenue is recognised at initial fair value.

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

### **Critical judgements and estimates in applying the accounting policies**

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, income 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 year in which the estimates are revised and in any future years 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:

#### *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.

#### *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 2023

### 1 Turnover

	2023	2022
	£'000	£'000
Construction	203,879	218,407
Property services	44,010	21,327
<b>Turnover</b>	<b>247,889</b>	<b>239,734</b>

### 2 Operating profit

	2023	2022
	£'000	£'000
<b>Operating profit/(loss) is stated after charging:</b>		
Depreciation of tangible fixed assets:		
Owned	653	744
Hire of plant & machinery - operating leases	8,239	6,734
Hire of other assets - operating leases	2,334	1,866

#### Auditors' remuneration

	2023	2022
	£'000	£'000
Audit of the financial statements	45	125

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 3 Remuneration of directors

	2023	2022
	£'000	£'000
Directors' emoluments	-	-
Company contributions to money purchase pension schemes	-	-

The aggregate of emoluments of the highest paid director were £nil (2022: £nil) and company pension contributions of £nil (2022: £nil) were made to a money purchase scheme on his behalf. Several directors were remunerated through the group companies.

The number of directors who accrued retirement benefits under Money purchase schemes was nil (2022: nil).

### 4 Staff numbers and costs

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

	Number of employees	
	2023	2022
Production staff	248	258
Administrative staff	380	367
	628	625

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£'000	£'000
Wages and salaries	29,575	28,364
Social security costs	3,090	3,166
Other pension costs (note 18)	1,214	1,180
	33,879	32,710

Included in staff costs for the company are redundancy payments of £101,855 (2022: 54,283)

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 5 Interest receivable and similar income

	2023	2022
	£'000	£'000
Bank interest	3	-

### 6 Tax on profit

Analysis of charge/(credit) in year:

	2023	2022
	£'000	£'000
UK corporation tax:		
Current tax on income for the year	-	1
Adjustments in respect of prior years	(79)	-
Total current tax	(79)	1
Deferred tax in respect of prior year	376	509
Deferred tax in respect of current year	-	(29)
Total deferred tax	376	480
Tax on profit/(loss)	297	481

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

The current tax charge for the year is less than the standard rate of corporation tax in the UK of 23.52%. The differences are explained below:

	2023	2022
	£'000	£'000
Total tax reconciliation		
Profit/(loss) before taxation	2,908	3,079
Current tax at 23.52% (2022: 19%)	684	585
Effects of:		
Income not taxable	-	(131)
Tax rate changes	22	(81)
Transfer pricing adjustments	(353)	(333)
Items not taxable or deductible	-	(84)
Expenses not deductible for tax purposes	23	16
Adjustments in respect of prior years	(79)	509
Total tax charge/(credit) for the year (see above)	297	481

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 6 Tax on profit (continued)

#### Tax rate changes

From 1 April 2023 the corporation tax rate increased to 25%. (Previously 19%).

### 7 Intangible assets

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

	Goodwill £'000
<b>Cost</b>	
<b>At 1 January and 31 December 2023</b>	757
<b>Accumulated amortisation</b>	
At 1 January 2023	757
Charged in year	-
<b>At 31 December 2023</b>	757
<b>Net book value</b>	
<b>At 31 December 2023</b>	-
<b>At 31 December 2022</b>	-



# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 8 Tangible assets

	Freehold property £'000	Leasehold property £'000	Plant & Machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 January 2023	12	56	6,305	46	1,321	7,740
Acquisition	-	-	28	-	23	51
Disposal	-	-	(1,239)	(42)	(326)	(1,607)
<b>At 31 December 2023</b>	<b>12</b>	<b>56</b>	<b>5,094</b>	<b>4</b>	<b>1,018</b>	<b>6,184</b>
<b>Accumulated depreciation</b>						
At 1 January 2023	12	36	3,511	45	844	4,448
Disposal	-	-	(1,065)	(42)	(288)	(1,395)
Charged in year	-	5	517	1	130	653
<b>At 31 December 2023</b>	<b>12</b>	<b>41</b>	<b>2,963</b>	<b>4</b>	<b>686</b>	<b>3,706</b>
<b>Net book value</b>						
<b>At 31 December 2023</b>	<b>-</b>	<b>15</b>	<b>2,131</b>	<b>0</b>	<b>332</b>	<b>2,478</b>
At 31 December 2022	-	20	2,794	1	477	3,292

Included in the total net book value is £nil (2022: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2022: £nil).

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 9 Investments

	Shares in group undertakings £'000
<b>Cost and net book value</b>	
At 1 January 2023	1,271
Acquisition	-
Disposal	-
<b>At 31 December 2023</b>	<b>1,271</b>

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

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

\*Investment held indirectly

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

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

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 10 Stocks

	2023	2022
	£'000	£'000
Raw materials and consumables	506	721

The amount of stock recognised as an expense during the year was £2,725,982 (2021: £3,194,929).

### 11 Debtors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade Debtors	6,870	10,159
Amounts recoverable on contracts	26,270	24,295
Amounts owed by group undertakings	17,237	14,171
Amount owed by undertakings in which the entity has a participating interest (note 19)	14	4
Other Debtors	2,916	1,771
Corporation tax	43	
Deferred tax (note 13)	1,249	1,625
Prepayments and accrued income	1,064	1,265
	55,664	53,290

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 2023 (continued)

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

	2023	2022
	£'000	£'000
Payments received on account	9,156	6,763
Trade creditors	8,434	7,484
Amounts owed to group undertakings	1,690	1,610
Other taxation and social security	2,046	3,059
Other creditors	2,410	1,812
Corporation tax	-	39
Accruals and deferred income	32,417	31,996
	<b>56,153</b>	<b>52,763</b>

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

### 13 Deferred Taxation

	2023	2022
	£'000	£'000
At beginning of year - asset	1,625	2,105
Credit to the statement of comprehensive income for the year	-	29
Charge to the statement of comprehensive income for prior year	(376)	(509)
At end of year - asset	<b>1,249</b>	<b>1,625</b>

The elements of deferred taxation are as follows:

	2023	2022
	£'000	£'000
Differences between accumulated depreciation and capital allowances	(332)	(404)
Short term timing differences	17	19
R&D expenditure credit	29	29
Losses	1,535	1,981
Deferred tax asset	<b>1,249</b>	<b>1,625</b>

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 14 Called up share capital

	2023		2022	
	Number of shares	£'000	Number of shares	£'000
<b>Authorised, Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	978,150	978	978,150	978

### 15 Profit and loss account

	£'000
At 1 January 2023	16,779
Profit for the financial year	2,611
Dividends	-
<b>At 31 December 2023</b>	<b>19,390</b>

### 16 Contingent Liabilities

The company is party to a group funding arrangement with certain of the companies in the Esh group, which was set up in 2023. Funding of up to £6m is available to be drawn down against the debtors of Esh Construction Limited. Security is provided to the funder, Bibby Financial Services Limited, by means of charges on the Land and Buildings held within Esh Holdings Limited and Plant and Machinery held in Esh Construction 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 2023 amounted to £nil (2022: £nil).

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 17 Commitments

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

	2023		2022	
	£'000		£'000	
Contracted	-	-	-	-

	Other		Land and Buildings	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
<b>Operating leases which expire:</b>				
Within one year	433	405	-	-
In the second to fifth years inclusive	658	343	-	-
	1,091	748	-	-

### 18 Pension scheme

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 £1,214,000 (2022: £1,180,000). There were outstanding contributions at the end of the financial year of £20,000 (2022: £22,000).

# Esh Construction Limited

## Notes to the financial statements for the year ended 31 December 2023 (continued)

### 19 Related party transactions

Transactions with related companies during the year ended 31 December 2023 and 31 December 2022 were:

	Sales		Purchases		Debtors		Creditors	
	2023	2022	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
West-Park JV Ltd								
Trade	36	53	-	-	14	-	-	-
Esh DBC Ltd								
Trade	-	13	-	-	-	-	-	-
Neasham Road JV Ltd								
Trade	-	12	-	-	-	4	-	-
	<b>36</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>4</b>	<b>-</b>	<b>-</b>

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

### 20 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.