Eric Wright Group Limited

Annual report and consolidated financial statements

Registered number 02841234

31 December 2019

Contents

Chairman's statement

Executive overview

The Group reported a profit before tax in 2019 of £7.7m compared to £10.0m for 2018.

Whilst statutory profit has decreased, underlying trading profit has improved year on year as illustrated in the table below:

	2019	2018
	£000	£000
Profit before tax	**7,694**	**9,954**
Eliminate fair value gains on the revaluation of investment properties and investments	(1,535)	(3,669)
Eliminate profit on disposal of investment property	-	(1,340)
Adjusted profit before tax	**6,159**	**4,945**

Overall turnover across the Group increased from £170.4m to £223.2m with the increase principally driven by the Construction, Civil Engineering and Water divisions for the reasons outlined below. All divisions continued to expand their customer bases whilst at the same time developing the existing relationships which have underpinned many of the Group's recent successes.

The Group also benefited from the commercial strength provided to it from the diversity of its principal activities, and whilst general economic conditions during 2019 have continued to create challenges, the core stability afforded by both diversity and the investment property portfolio continued to provide the Group with substantial resilience and confidence for the future. The property portfolio has again performed well in 2019 with a number of new lettings and positive rent reviews, contributing to an increased rent roll year on year. In addition, to the net acquisitions in the year of £6.3m, there has been a revaluation gain of £1.5m bringing the total value of investment property to £72.0m, an increase of £7.8m when compared to the prior year.

The wider business has made good progress in the year, with evolution of management teams and processes. Improvements often take time to translate to the bottom line, however, into 2020 and beyond there are encouraging signs of these changes delivering a tangible impact on our results albeit these will be considerably impacted by the fallout from the Covid-19 pandemic (see note 32).

Business Development remained a key focus for all of the Senior Management Team although it continued to present its challenges. Within our contracting activities, lead times remained long or uncertain at best and pricing strategies often have to contend with both inflationary pressures and resource constraints within key trades.

Corporate Social Responsibility (CSR) and our commitment to offer added value to clients remained a core objective for the business and 2019 provided work place opportunities and apprenticeships to dozens of young and disadvantaged individuals.

Construction

2019 is widely acknowledged as one of the toughest years for the construction industry. Many competitors including a number of highly respected companies sadly entered administration. Risk transfer and shortages of skilled tradesmen combined with above inflationary increases in labour and material costs contributing to a perfect storm for contractors.

Turnover increased in 2019 to £105.8m (2018: £74.1m), principally as a result of start dates on a number of projects being delayed from previous years including Chorley Market Walk, Ashton Health Centre and St John's Primary School. Despite the increase in turnover, the challenging environment within the sector and the completion of two underperforming contracts in the year has resulted in a loss of £2.8m (2018: loss of £2.4m) which whilst extremely disappointing does not reflect the underlying performance of the business which delivered multiple complex projects in 2019 on time to exacting quality.

The business continued to develop long standing relationships with works progressing on a number of high profile projects for Muse Developments and Manchester Life and with new clients including Himor and Northgate Developments. The business also secured a place on the North West Construction Hub (NWCH) Medium and Low Value Frameworks following on from the success in achieving a place on the NWCH High Value Framework which together with the Procure Partnerships, Department for Education and Lancashire Regeneration Property Partnership Frameworks gives access to publically funded projects until 2024.

Chairman's statement (*continued*)

Construction (continued)

2020 started with a confirmed order book in excess of £80m and this, together with the completion of a number of legacy loss making contracts placed the division in a sound position to return to profitability. The Covid-19 virus has however made this much more challenging. Despite taking the decision to temporarily suspend work on a number of projects the business has, through the efforts of all its staff and working with supply chain partners managed to implement guidance around safe Site Operating Procedures and maintain progress whilst ensuring the safety and wellbeing of our staff remain a paramount priority. All closed sites recommenced work within four weeks. A key challenge for the coming period will be to secure sufficient work for 2021 and beyond to aid in the speed of recovery post lockdown.

Civil Engineering

Turnover £26.3m (*2018: £21.7m*), profit before tax £0.1m (*2018 loss: £0.1m*).

Throughout 2019 the Civils business has continued to build on its reputation for working closely with its clients to meet their objectives in a true partnership arrangement. The business has made significant progress against all its targets during the year with continued success in business development and work winning, targeting key clients who will remain core to the business in the future. The portfolio of work reflected a conscious strategy to focus on contracts of a certain scale and risk profile where Civils can add value and capitalise on their expertise to differentiate themselves from competitors. Turnover has improved year on year by 21% contributing to the achievement of a profit for the first time in many years which is a significant milestone.

Risk assessment and commercial management continued to improve. Predictability in contract outcomes was extremely good giving confidence in the management structures and systems and evidencing consistency of quality across the sites.

Original workload projections for 2020 were in excess of £30m and the year started with a very strong order book of circa 40% of the target turnover. Business performance in 2020 however will now need to reflect the challenges faced as result of the global pandemic and the uncertainty of the future pipeline and potential delays to new projects. The business is a critical sector to the recovery of the country's economy, infrastructure work will remain fundamental to many regions and whilst works have been delayed and new projects curtailed, a speedy recovery of trade post lockdown is anticipated.

Water

Turnover £50.0m (*2018: £41.8m*), profit before tax £0.7m (*2018: £0.2m*).

Turnover has increased year on year largely driven by fluctuations in the procurement cycles of the main water companies such as United Utilities. Profit before tax has also increased in part due to the turnover and also reflecting effective contract management and cost control. All geographical areas within the business have performed well in the year.

Throughout 2019 the business has continued to build on its reputation for working closely with its clients to exploit outstanding specialist skills and maintain effective working relationships. Five key clients underpin the business namely, United Utilities, Scottish Water, Severn Trent Water, Yorkshire Water and C2V+ (a joint venture with Volker Stevin).

The water industry is regulated by OFWAT with spending reviews undertaken every five years which dictate the level of maintenance and project activity. The next 5 year spending cycle for the water companies has now commenced and during 2019, the business has been successful in Severn Trent and Yorkshire in securing frameworks for the next 5 years but unfortunately was not eligible for the UU contracts. In this area the business will work as a supply chain partner to Costain and C2V who both hold large frameworks with United Utilities.

The business had a strong start to 2020 with turnover and profit levels expected to be in line with 2019. The impact of the Coronavirus will adversely affect these projections however with reduced throughput in the second quarter of the year. Despite the impact of this situation, water companies remain committed to projects under their regulatory body, OFWAT and a profit is still predicted for the coming year.

Chairman's statement (*continued*)

Property Development

The Division's activities fall into two principal business streams, Commercial Property and Residential Development.

Commercial property

Turnover for the year is £5.7m (*2018: £0.2m*), profit before tax £1.8m (*2018: £1.1m*).

Turnover in the current year relates to a number of transactions including a land disposal for proceeds of £1.25m along with turnover recognised in relation to the stage of completion of a student accommodation development scheme in York (£3.8m) which is forward funded by a student operator with completion due in Summer 2020. The market for lettings and disposals continues to be challenging and lead times continue to be long. That said, the current year result shows a clear improvement on the prior year due to the impact of the improved pipeline.

Trilink, a 142,000 sq. ft. industrial/logistics unit at Normanton was disposed of during the year following a letting being secured to CMS Distribution. This investment was held in a joint venture with Kier and the share of profit exceeded £0.5m.

The team continue to focus on key sectors where occupier demand is strong and working in partnership with both the public and private sector. There is a healthy development pipeline across a number of sectors including; industrial/logistics, mixed use including offices, retail, leisure and student accommodation which are expected to provide a return over the next 4 years. The mix diversifies the risk along with building a growing portfolio of clients and partners. Many development milestones are being achieved on the pipeline to support delivery of the future returns however there has to be recognition that scheme lead times will be extended or opportunities put under threat of cancellation by the economic situation in the coming period as a result of Coronavirus.

Residential development

Turnover for the year is £10.6m (*2018: £13.5m*), profit before tax £0.7m (*2018: £0.7m*).

The turnover decrease year on year is due to a reduction in unit sales from 60 in 2018 to 40 in the current year. Despite the reduction in unit volumes, the selling prices have exceeded expectations, and the commercial team has been strengthened, enhancing cost management. These two factors combined have ensured that profit levels could be maintained. Production has generally matched sales in the year and therefore stock levels have remained broadly consistent year on year at around £9m, aiding Group cash flow management.

There are currently 4 active sites which are expected to deliver unit sales during 2020. The Covid-19 crisis had halted completions for around two months however a level of production is continuing to allow the business to recover quickly in due course. That said, the initial projection of 50 unit sales for the coming year is now unlikely to be achievable.

The Residential business continues to focus on expanding market presence by identifying and acquiring sites under option then obtaining planning permission, supplemented by securing sites from the open market, which already benefit from having an established planning status.

Health and Care

Turnover was £1.7m (*2018: £1.5m*), profit before tax £0.6m (*2018: £0.6m*).

The Health and Care team have continued to successfully deliver a comprehensive range of partnering services under existing Local Improvement Finance Trusts. These long term partnerships continue to manage a substantial portfolio of primary care assets in excess of £220m across our region. This income stream has continued to underpin the commercial outcomes and generate a valuable and consistent contribution to Group.

Alongside the core business, the division continues to develop its strategy of creating investment properties which can be retained within the Group portfolio. Ashton Medical Centre completed in the year and generated a revaluation gain on completion of £0.8m and the Kirkholt GP surgery was completed in May 2020.

The Health and Care team continue to utilise their extensive network of contacts in the sector to identify opportunities to work in partnership with both the public and private sectors to deliver future opportunities in a seamless way with sufficient resources.

Chairman's statement (*continued*)

Health and Care (continued)

A change in direction for the division during the year was its entry into a joint venture arrangement with Glenholme Healthcare which is a well-established care organisation owned by a number of successful individuals that have traded in the care sector for over 25 years. The partnership will facilitate the development and operation of a portfolio of care homes, the first of which was Bispham (acquisition of trade and assets completed in January 2019). The construction of Bispham Phase II is underway and will increase the facility to 52 beds.

Facilities Management

Turnover was £17.2m (*2018: £13.2m*), profit before tax £1.1m (*2018: £1.5m*).

Our FM business continued to operate successfully across the North West in 2019, delivering hard and soft FM services to a wide range of public and private sector clients in over 100 locations through a combination of self-delivery, specialist sub-contractors and property life cycle management. The core business remained the ongoing management of healthcare and education facilities delivered under long term partnering arrangements such as LIFT and PFI.

The business also incorporates a growing Professional Services team who offer a range of property related consultancy services to third party customers including Multi Academy Trusts, Independent Schools and Healthcare. Consultancy services include building condition surveys, project management and Life Cycle Management. Growth in this area has been strong in recent years and it remains a focus for growth investment in 2020.

The business climate saw existing arrangements continuing to be increasingly contractual, with clients seeking to ensure that value for money is delivered and that opportunities for cost savings are explored wherever possible. This has driven investment in resources which has resulted in a reduction in profit year on year. An ongoing focus on working in partnership with key clients will be essential to sustain constructive relationships and mitigate the impact of an increasingly contractual environment. This is supported by the introduction of digitisation tools to aid customer service and operational efficiencies.

A new management team has been established via the appointment of a Managing Director and an Operations Director and a strategic plan for the business formulated which encompasses all aspects of its activities. Contract risk management is critical going forward to ensure that the business is able to evidence contractual outputs, enhance customer relationships and reduce the risk of financial penalties. Alongside the long term relationships, which underpin the current business activity, the Board recognises the need to continue exploring strategies for the development of future work streams including identification of new business partners to expand and diversify activities.

Property investment

Rental income £5.0m (*2018: £4.8m*). Portfolio value £72.0m (*2018: £64.2*m).

Rental income year on year shows an increase of £0.2m (4.6%) driven by a strong lettings performance, reduction of voids and increases following rent reviews. These positive changes in the portfolio, alongside improving yields in certain sectors, have driven a revaluation gain in the year of £1.5m.

The overall property portfolio value has increased year on year by £7.8m to £72.0m and there have been a number of positive property transactions, rebalancing the portfolio and exiting problem properties as a result of continued proactive management of the portfolio.

The sale of the Bispham Care facility to a joint venture in which the Group owns 50%, was carried out at book value of £2.1m and the proceeds from the sale of Barnett House, a city centre office block, during 2018 for £7.8m have been reinvested during the year. Acquisitions include a number of shop units situated in Bolton town centre producing a very high income of £0.5m per annum relative to its cost of £4.11m, creating high cash returns and a development opportunity. Ashton Medical Centre which was built by the Group also achieved completion in the Summer, valued at £4.5m and is underpinned by a 21 year council head lease.

A cornerstone of the Group's balance sheet strategy is to continue to increase the value of both the investment portfolio and the associated rental income by acquiring or developing carefully selected opportunities in order to maximise stability of returns to the Trust. This pro-active approach of utilising existing balance sheet resources to secure core borrowings is proving successful in increasing and strengthening the Group's underlying asset base. It also provides the opportunity for the team to source assets which may have a development opportunity that can be unlocked by other divisions at some stage in the future.

During 2020, the Covid-19 pandemic has impacted rental receipts. The longer term impact on property valuations is not yet known.

Chairman's statement (*continued*)

Outlook for 2020

The Group ended 2019 with excellent progress against business plan targets and another robust set of financial results. Behind the results, senior management teams across the Group also continued to challenge and review all aspects of their operations and implement change in order to deliver continuous improvement.

The environment for our contracting businesses will remain challenging, particularly in the face of the issues resulting from the Covid-19 pandemic which as referenced above, represents different challenges for each division within the Group not least around future workloads in an economy which is going to take considerable time to recover. Delivery of a consistent workload with a predictable return across all our contracting activities will not therefore be easy but the Group is well placed to strive for this with careful selection of opportunities and our collaborative style of working, bringing experience and expertise to a wide range of clients. Quality product will be an ongoing core objective whilst continually reviewing processes and controlling costs in order to deliver margin.

Property development (including Commercial, Residential and Health and Care) will need to work hard to maintain momentum in its future pipeline of projects given there will undoubtedly be inertia as a result of the lockdown period and the subsequent environment. Economic stability and future growth will be impacted by the longer term effect of the recession we are moving into and we expect, lead time on development opportunities to extend at best or at worst schemes to simply fall away. The team will have to use their creativity and experience to sustain transaction levels for the medium term. On the residential side, product and delivery is now well placed to support the growth however there will undoubtedly be a delay in unit sales. Management will seek to secure sites in order to generate a pipeline of unit sales which sustains a stable business profile.

During 2018 an overall corporate strategy was formulated to pull together the objectives of all of the divisions and generate a medium term business plan to increase recurring profits and enhance the core stability within the Group. The overarching objective was to generate portfolio growth over time with a target property value of £100m by 2024 via reinvestment of trading profits alongside modest external funding support. Good progress has been made here with an increase in the portfolio value to £72.0m as at 31 December 2019. The increase in value of the investment property portfolio supported the refinance and extention of the Group's term loan facility with Santander during December 2019 to £12.5m from £6m for a 5 year period.

The business and the Eric Wright Charitable Trust continue to work in partnership to support the charitable objectives across our region delivering huge potential for making real improvements to peoples' lives. The Group recognises the need to create a stable platform and maximise the returns available to the Trust in order to continue the excellent work the Trust carries out.

In summary, the focus for 2020 will now be the navigation through the unprecedented challenges we all face as a consequence of the Covid-19 crisis. Cash management will be fundamental to decision making and keeping core businesses intact so we can trade out the other side of this situation as best we can will be our overarching strategy. We will maintain an active, ongoing response to the changing business environments within each of our main activities and not lose focus on the safety and wellbeing of all our staff in these very difficult times. Despite the countless challenges the majority of businesses are facing, underlying prudence around management of both cash and operational risk means our balance sheet remains extremely strong and this in turn provides us with considerable capacity and flexibility to support continued activity and subsequent investment in future years.

On behalf of my fellow main board Directors and myself, I would like to express my profound appreciation to all the staff of the Eric Wright Group for their commitment, ingenuity and application in solving the immeasurable problems that have arisen during this crucial time for our industry and the country.

R E Wright

RE Wright
Chairman

Sceptre House
Sceptre Way
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30 June 2020

Strategic Report

The Directors present their strategic report and the audited financial statements for the year ended 31 December 2019.

Enhanced business review

A review of the year's activities and prospects is set out in the Chairman's Statement and is included in this Strategic Report by cross reference.

Principal risks and uncertainties

The industry or sector specific factors which have always faced the Group remain in place to varying degrees. Additionally there remains a level of risk and uncertainty from the current economic and political environment and the unfolding impact of the Covid-19 pandemic. The following aspects are notable:

- Low margin work where risk is disproportionate to potential returns
- Availability of funding, procurement obstacles and lack of business confidence contributing to a degree of inertia in bringing projects to market
- Increased incidence of litigation and contractual disputes as attempts to preserve cash and tight margins remain a key driver
- Political and economic uncertainty and reductions in public sector spending

Internal processes have always been in place for assessing and managing the exposure within any specified opportunity, whether it is in contracting or elsewhere in the Group's portfolio of activities, such as Property Development. The experiences in recent years however have enabled additional measures to be implemented which ensure the business is now as well protected as possible from risk and uncertainty.

Bidding Risk

Both the Group's contracting and development operations bid selectively for a relatively large number of contracts each year albeit this is expected to be temporarily reduced during 2020. Tenders and investment appraisals are developed in accordance with thorough processes for estimating and risk identification and assessment. Particular attention is given to new or unique characteristics. Each project or contract is subject to formal review and approval by tender review panel or divisional Board depending on value and risk profile.

Delivery Risk

The delivery of contracts is controlled and managed through the Board operating structures within the Construction, Civils and Water businesses. The Group's procedures embrace regular and frequent reviews with an agenda centred on health and safety performance, issues affecting delivery and any consequential impact on costs to completion and the overall estimated future outcome. This approach is underpinned by management's desire to identify any operational and commercial issues in good time so as to ensure appropriate actions can be taken to address them in the most effective way possible. Supply chain failure is an increasing risk to delivery particularly on complex jobs with limited alternatives.

Changing Government Policies and Funding Priorities

The risk and uncertainty to our business and that of many others, from changes in government spending policy will always remain a challenge as both national and regional political landscapes change on a regular basis. The Group's public sector partnerships have proved extremely valuable sources of construction and facilities management contracts over recent years. Our partnerships have remained intact despite the changing strategies however and we envisage further opportunities presenting themselves. The need to maintain and improve public estates will always remain an issue which will need addressing and the recent hiatus in spending is starting to now see new and more efficient procurement mechanisms evolve. The Group has always had very strong links with many facets of the public sector and this area of work opportunity in its many guises will remain core to our future strategies.

Brexit risks

There remains a significant amount of uncertainty in relation to the impact of Brexit. Review and assessment of the potential risks to the Group is ongoing as more information emerges and the business is well placed to manage the changes to the economic environments in which it operates.

Strategic Report *(continued)*

Principal risks and uncertainties (continued)

Financial Risk

The Group manages its interest rate risk through the use of financial instruments. Other financial risks, including cash flow, are managed through robust internal reporting systems and clear allocation of responsibility.

Key Performance Indicators

The Group implements a number of key performance indicators which are reviewed on a regular basis. These are listed below:

- Monthly consolidated group accounts tracking projections for turnover, gross profit, overheads and profit before tax including a commentary on significant variances to budget and prior period comparatives.
- Profit margin at various levels from group to division and down to individual contracts or development projects.
- Contract commercial reviews to highlight matters which require proactive solutions or Director involvement to mitigate risk.
- Monthly end life forecasting on all construction, civil engineering and water contracts with explanation of any slippage.
- Quarterly consolidated group profit and loss, balance sheet, cash flow and commentary both to comply with banking covenants comprising loan to value, interest cover and net assets, and to also keep lenders fully appraised on group activities.
- Monthly update of cash flow projections and borrowing capacity.
- Property asset values performed externally on an annual basis.
- Operational performance incorporating health and safety statistics, quality reporting and compliance.

Statement by the Directors in performance of their statutory duties in accordance with s172

Eric Wright is a commercial business with a social conscience.

Our mission through our highly technical, motivated and engaged workforce is to develop, build, invest in, operate and maintain our communities. We do this by improving connectivity and social mobility through the economic regeneration of our towns and cities; developing infrastructure, schools, health and social care facilities, residential and commercial properties.

The Group board focuses on long term business decision making in order to ensure stable returns and facilitate reinvestment in the Group and to provide consistent returns to the Trust to further its charitable activities throughout the North West. This drives prudent decision making and conservative borrowing policies and cash flow management across the Group.

The Board of Directors actively engages with the stakeholders of the Group including the Trustees and funders and forges positive, collaborative relationships.

The Board annually reviews and approves a three-year strategic plan and monitors its implementation throughout the year. As part of this process, the Directors consider the long-term consequences of the plan and the Group's strategic priorities over the short and medium term including the level of funding required to deliver the strategic objectives. Business resilience is of high importance in all decision making, alongside ensuring the Group's ethics and values are incorporated and that our reputation for quality and high standards of business conduct is maintained.

Strategic Report *(continued)*

Statement by the Directors in performance of their statutory duties in accordance with s172 (continued)_

The Board's priority is to ensure that Directors have acted both individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs a-f of section 172 of the Companies Act 2006 (s172).

The Directors understand that the Group's employees are fundamental to its long term success. The health, safety and well-being of the employees are of paramount importance alongside the provision of an ethical workplace. Linked to the overarching business strategy for stability and reinvestment, the Group looks to provide a secure, long-term working environment with considerate pay and benefits policies.

The Group engages in an active way with its employees. Many of the staff work on site and senior management regularly complete site visits to maintain timely interaction. Divisional management also regularly update employees via email updates and face to face staff briefings to disseminate both divisional and Group information.

The Directors consider how the Group maintains positive relationships with all of its stakeholders, including suppliers and customers. As outlined in the Chairman's statement, our customer relationships are of high importance and the Group prides itself on its partnering relationships with a number of long standing customers, built on openness and quality of services.

The Directors recognise the impact of the supply chain on the long-term success of the Group. The selection of suppliers gives consideration to quality, alignment of objectives with the Group and its customers and financial and operational due diligence. The Group aims always to work in a fair and collaborative way with its suppliers.

In addition to the activities of the Eric Wright Charitable Trust, the Group prides itself on its CSR. We actively encourage and financially support the charitable activities of our employees. We work hard to create careers via the appointment of numerous apprentices and strive to enhance the environments in which we work.

Expected future developments and position at the end of the year

These are dealt with in the Chairman's statement on pages 1 to 5.

J P Hartley

JP Hartley
Director

Sceptre House
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Bamber Bridge
PRESTON
PR5 6AW

30 June 2020

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Company in the year under review was that of a holding company for the Eric Wright Group of companies. The principal activities of the Group in the year under review were building, contracting, civil engineering, property development and facilities management.

Financial results

The Group made a profit after tax of £7,037,000 during the year *(2018: £9,103,000)*.

A dividend of £4,043,000 was paid during the year *(2018: £3,895,000)*.

The directors have reviewed the future trading forecasts and cashflow forecast factoring in the repayment of bank debt and have assessed the Group and the Company will have sufficient available funds to meet all liabilities as they fall due. On this basis the directors continue to adopt the going concern basis in the preparation of the accounts.

The information required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414 (11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Directors and directors' interests

The directors of the Company who held office during the year and up to the date of this report were as follows:

RE Wright
JP Hartley
JF Carter
JH Wilson
ED Bourne
G Chadwick
C Hetherington
K Hirst
N Whittle
CD Winstanley
GD Lilley (appointed 1 January 2020)

None of the Directors who held office held any beneficial interest in the issued share capital of the Company as at 1 January 2019 or 31 December 2019.

The interests of the Directors and their families, as at the year end, in the share capital of the parent Company, Henmead Limited, were nil. The Eric Wright Charitable Trust has a 100% shareholding in Henmead Limited, the immediate parent company.

Employee relations

Regular meetings are held with management teams to discuss the Group's performance. Opportunity is given at such meetings for questions regarding matters concerning the employees, particularly with reference to matters concerning health and safety.

Employment policies provide equal opportunity, irrespective of sex, religion, race or marital status. Applications by persons with disabilities are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria for training and promotion apply to persons with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

Donations

Donations to UK charities direct from the Group amounted to £4,135 *(2018: £9,000)*. In addition, distribution of profit from the Group is used to fund the activities of the Eric Wright Charitable Trust.

Directors' report *(continued)*

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Post balance sheet events

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency and on 11 March 2020, it announced that Coronavirus was a global pandemic. The UK subsequently entered to a lock down period which has significantly impacted many businesses nationally in terms of their ability to trade effectively.

The Group is well diversified and has proved resilient in a number of areas, as documented in more detail in the Chairman's Statement.

The Directors have considered the financial impact of the pandemic on the year end balance sheet and current year trading areas including: the valuation of development work in progress and investment properties; recoverability of trade debtors including amounts recoverable on contracts; the fair value of swaps and the potential for onerous contracts. Due to the current level of uncertainty in the global economic climate, it is not yet possible to quantify the financial impact of the Coronavirus global pandemic.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP was appointed in the year and will therefore continue in office.

This report was approved by the board on 30 June 2020 and signed on its behalf by:

J P Hartley

JP Hartley
Director

Sceptre House
Sceptre Way
Bamber Bridge
PRESTON
PR5 6AW

30 June 2020

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report and the Directors' 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

Independent auditor's report to the members of Eric Wright Group Limited

Opinion

We have audited the financial statements of Eric Wright Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account, the Statement of Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of 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 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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 or the parent 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Independent auditor's report to the members of Eric Wright Group 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 group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 11, 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 group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Eric Wright Group Limited *(continued)*

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 auditor's 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.

RSM UK AUDIT LLP

Ian Taylor (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP (Statutory Auditor),
Bluebell House
Brian Johnson Way
Preston
Lancashire
PR2 5PE

30 June 2020

Consolidated Profit and Loss Account

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Group turnover	*3*	**223,208**	170,350
Cost of sales		**(208,428)**	(156,707)
Gross profit		**14,780**	13,643
Administrative expenses		**(18,608)**	(17,542)
Other operating income	*4*	**5,005**	4,784
Profit on disposal of investment property		**-**	1,340
Group operating profit	*5*	**1,177**	2,225
Gain on revaluation of investment properties	*11*	**1,523**	3,675
Gain/(loss) on revaluation of investment		**12**	(6)
Share of profit/(loss) in:			
Joint ventures		**2,945**	2,149
Associates		**(23)**	19
Profit before interest and taxation		**5,634**	8,062
Interest receivable and similar income	*7*	**5,050**	4,934
Interest payable and similar expenses	*7*	**(2,990)**	(3,042)
Profit before tax		**7,694**	9,954
Tax on profit	*8*	**(657)**	(851)
Profit for the financial year		**7,037**	9,103

Other comprehensive income

	2019 £000	2018 £000
Profit for the financial year	**7,037**	9,103
Effective portion of changes in fair value of cash flow hedges	**(361)**	1,596
Deferred tax on other comprehensive income	**61**	(271)
Group's share of other comprehensive expense of joint ventures and associates	**(2,208)**	(2,968)
Other comprehensive loss for the year, net of income tax	**(2,508)**	(1,643)
Total comprehensive income for the year	**4,529**	7,460

The notes on pages 23 to 48 form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2019

	Note	**2019**	**2019**	2018	2018
		£000	**£000**	£000	£000
Fixed assets					
Goodwill	*9*		**-**		-
Tangible assets	*10*		**4,398**		4,414
Investment property	*11*		**72,022**		64,206
Fixed asset investments	*12*		**7,417**		5,720
			83,837		74,340
Current assets					
Stocks	*14*	**25,516**		25,399	
Debtors: amounts falling due within one year	*15*	**54,233**		43,696	
Debtors: amounts falling due after one year	*15*	**39,334**		41,102	
Cash at bank and in hand	*16*	**10,485**		12,248	
		129,568		122,445	
Creditors: amounts falling due within one year	*17*	**(66,269)**		(56,275)	
Net current assets			**63,299**		66,170
Total assets less current liabilities			**147,136**		140,510
Creditors: amounts falling due after more than one year	*18*		**(77,471)**		(71,678)
Provisions for liabilities and charges					
Deferred tax liability	*22*		**(3,262)**		(2,915)
Net assets			**66,403**		65,917
Capital and reserves					
Called up share capital	*24*		**39**		39
Capital redemption reserve			**10**		10
Revaluation reserve			**16,992**		15,434
Profit and loss account			**50,503**		51,495
Minority interest			**(1,141)**		(1,061)
Shareholders' funds			**66,403**		65,917

These financial statements were approved by the board of directors on 30 June 2020 and were signed on its behalf by:

J P Hartley

JP Hartley
Director Registered number 02841234

The notes on pages 23 to 48 form part of these financial statements.

Company Balance Sheet
at 31 December 2019

	Note	**2019**	**2019**	2018	2018
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**3,876**		3,809
Investment property	*11*		**60,986**		53,751
Investments	*12*		**788**		788
			65,650		58,348
Current assets					
Debtors	*15*	**8,346**		8,731	
Cash at bank and in hand		**10,210**		9,809	
		18,556		18,540	
Creditors: amounts falling due within one year	*17*	**(8,084)**		(8,060)	
Net current assets			**10,472**		10,480
Total assets less current liabilities			**76,122**		68,828
Creditors: amounts falling due after more than one year	*18*		**(33,100)**		(26,000)
Provision for liabilities					
Deferred tax liability	*22*		**(2,319)**		(2,044)
Net assets			**40,703**		40,784
Capital and reserves					
Called up share capital	*24*		**39**		39
Capital redemption reserve			**8**		8
Revaluation reserve			**5,768**		5,425
Profit and loss account			**34,888**		35,312
Shareholders' funds			**40,703**		40,784

The Company's profit and total comprehensive income was £3,952,000 (*2018: £5,640,000*).

These financial statements were approved by the board of directors on 30 June 2020 and were signed on its behalf by:

J P Hartley

JP Hartley
Director

Registered number 02841234

The notes on pages 23 to 48 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Called up Share capital £000	Capital Redemption reserve £000	Revaluation reserve £000	Profit & loss account £000	Minority interest	Total equity £000
Balance at 1 January 2019	39	10	15,434	51,495	(1,061)	65,917
Total comprehensive income for the year						
Profit for the financial year	-	-	-	7,014	23	7,037
Effective portion of changes in cash flow hedges	-	-	-	(249)	(112)	(361)
Deferred tax on other comprehensive loss	-	-	-	42	19	61
Group's share of other comprehensive loss of joint ventures and associates	-	-	-	(2,208)	-	(2,208)
Other comprehensive loss	-	-	-	(2,415)	(93)	(2,508)
Total comprehensive income/(loss) for the year	-	-	-	4,599	(70)	4,529
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	(4,033)	(10)	(4,043)
Revaluation reserve transfer of unrealised gains	-	-	1,535	(1,535)	-	-
Transfer of realised loss on disposal	-	-	23	(23)	-	-
Total contributions by and distributions to owners	-	-	1,558	(5,591)	(10)	(4,043)
Balance at 31 December 2019	**39**	**10**	**16,992**	**50,503**	**(1,141)**	**66,403**

Consolidated Statement of Changes in Equity

	Called up Share capital £000	Capital Redemption reserve £000	Revaluation reserve £000	Profit & loss account £000	Minority interest	Total equity £000
Balance at 1 January 2018	39	10	13,226	50,330	(1,253)	62,352
Total comprehensive income for the year						
Profit for the financial year	-	-	-	9,075	28	9,103
Effective portion of changes in cash flow hedges	-	-	-	1,389	207	1,596
Deferred tax on other comprehensive gain	-	-	-	(236)	(35)	(271)
Group's share of other comprehensive loss of joint ventures and associates	-	-	-	(2,968)	-	(2,968)
Other comprehensive (loss)/income	-	-	-	(1,815)	172	(1,643)
Total comprehensive income for the year	-	-	-	7,260	200	7,460
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	(3,887)	(8)	(3,895)
Revaluation reserve transfer of unrealised gains	-	-	3,669	(3,669)	-	-
Transfer of realised gains on disposal	-	-	(1,461)	1,461	-	-
Total contributions by and distributions to owners	-	-	2,208	(6,095)	(8)	(3,895)
Balance at 31 December 2018	**39**	**10**	**15,434**	**51,495**	**(1,061)**	**65,917**

Company Statement of Changes in Equity

	Called up Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2019	39	8	5,425	35,312	40,784
Total comprehensive income for the year					
Profit for the financial year	-	-	-	3,952	3,952
Total comprehensive income for the year	-	-	-	3,952	3,952
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(4,033)	(4,033)
Revaluation reserve transfer of unrealised gains	-	-	343	(343)	-
Total contributions by and distributions to owners	-	-	343	(4,376)	(4,033)
Balance at 31 December 2019	**39**	**8**	**5,768**	**34,888**	**40,703**

Company Statement of Changes in Equity

	Called up Share capital £000	**Capital redemption reserve £000**	**Revaluation reserve £000**	**Profit & loss account £000**	**Total equity £000**
Balance at 1 January 2018	39	8	2,535	36,449	39,031
Total comprehensive income for the year					
Profit for the financial year	-	-	-	5,640	5,640
Total comprehensive income for the year	-	-	-	5,640	5,640
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(3,887)	(3,887)
Revaluation reserve transfer of unrealised gains	-	-	2,456	(2,456)	-
Transfer of realised losses on disposal	-	-	434	(434)	-
Total contributions by and distributions to owners	-	-	2,890	(6,777)	(3,887)
Balance at 31 December 2018	**39**	**8**	**5,425**	**35,312**	**40,784**

Consolidated Cash Flow Statement
for year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the year		**7,037**	9,103
Adjustments for:			
Depreciation, amortisation and impairment		**329**	358
Change in value of investment property and investments		**(1,535)**	(3,669)
Interest receivable and similar income		**(5,050)**	(4,934)
Interest payable and similar charges		**2,990**	3,042
Loss/(gain) on sale of investment property and tangible fixed assets		**14**	(1,339)
Share of profit in joint venture		**(2,945)**	(2,149)
Share of loss/(profit) in associate		**23**	(19)
Taxation		**657**	851
		1,520	1,244
(Increase)/decrease in stocks		**(117)**	5,508
Increase in trade and other debtors		**(8,915)**	(2,971)
Increase in trade and other creditors		**7,670**	8,578
Decrease in provisions		**(225)**	(217)
		(67)	12,142
Dividends paid		**(4,043)**	(3,895)
Interest paid		**(2,990)**	(3,042)
Tax paid		**(102)**	(223)
Net cash (outflow)/inflow from operating activities		**(7,202)**	4,982
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**2,102**	9,522
Interest received		**5,050**	4,934
Acquisition of joint venture		**(38)**	-
Acquisition of investment property and tangible fixed assets		**(8,713)**	(6,755)
Repayment of loans by associates and joint ventures		**1,783**	387
New loans to joint ventures and associates		**(3,058)**	(2,141)
Dividends received from joint ventures and associates		**558**	-
Net cash (outflow)/inflow from investing activities		**(2,316)**	5,947
Cash flows from financing activities			
Proceeds from new loan		**7,500**	-
Repayment of borrowings		**(1,763)**	(8,277)
Net cash inflow/(outflow) from financing activities		**5,737**	(8,277)
Net (decrease)/increase in cash and cash equivalents		**(3,781)**	2,652
Cash and cash equivalents at 1 January 2019/2018		**12,248**	9,596
Cash and cash equivalents at 31 December 2019/2018	*16*	**8,467**	12,248

Notes
(forming part of the financial statements)

1 Accounting policies

Eric Wright Group Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006 including provisions of the Large and Medium sized companies and Groups (Accounts and Reports) regulations 2008. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss, investment property.

1.2 Going concern

The company's business activities, together with the Chairman's executive overview are set out in the Business Review on pages 1 to 5. The financial position of the Group is set out on page 16. The financial risk and management of financial risk is set out on page 7.

The Group meets its day-to-day working capital requirements through a £35m Revolving Credit Facility (RCF) which is managed on a Group wide basis with certain subsidiaries and the ultimate parent company, Henmead Limited. The RCF is not due for renewal until June 2021 and RBS have expressed their intention to continue to support the Group with continuation of funding. At the year end the RCF balance was £21m (*2018: £20m*). The Group's facilities are fully documented in note 19 and also include the Group's £12.5m term loan with Santander which was refinanced and extended from the original £6m in December 2019 for a 5 year period.

The consolidated forecasts and projections taking account of reasonably possible changes in trading performance, and incorporating an assessment of the financial impact of the Covid-19 pandemic based on the current known situation, show that the Group should be able to operate within the level of its current facility. As part of this assessment, numerous scenarios have been considered, which alongside supporting sensitivity analysis have been used as evidence to support this conclusion.

Taking into account the intention of Henmead Limited to continue to support the Group, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation (continued)

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method. Where there is no obligation, commitment or guarantee by the group to fund the joint venture operations or make payments on behalf of the investees and there is no intention to in the future, then the share of net liabilities recognised in the group consolidated balance sheet is restricted to the value of the investment made by the group.

Where a group company is party to a joint venture which is not an entity, the company accounts directly for its share of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent company financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.4 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group 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 group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity 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 entity'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

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in the profit or loss. Other investments are measured at cost less impairment in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Basic financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Finance lease debtors

Lease arrangements where substantially all of the risks and rewards of ownership have been transferred to the customer are classified as finance lease debtors. At the commencement of the lease term, a finance lease is recorded in the balance sheet as a receivable, at an amount equal to the net investment in the lease.

The net investment in a lease is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of:

- The minimum lease payments receivable under a finance lease; and
- Any unguaranteed residual value accruing to the company.

Initial direct costs (costs that are incremental and directly attributable to negotiating and arranging a lease) are included in the initial measurement of the finance lease receivable and reduce the income recognised over the lease term.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

1.7 Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Hedge accounting (continued)

Cash flow hedges (continued)

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.18 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 4% on cost
- Leasehold land and buildings 4% on cost
- Plant, machinery and scaffolding 15% on reducing balance
- Fixtures and fittings 15% on reducing balance
- Motor vehicles 25% on reducing balance
- Computer equipment 33% on cost

Computer equipment is included in fixtures and fittings in note 10. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Business combinations (continued)

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to 1 January 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

1.10 Intangible assets and goodwill

Goodwill in respect of the subsidiary has been amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill was estimated to be five years.

Goodwill in respect of Joint Ventures is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill was estimated to be 21 years, the remaining period of the concession period for the lease plus agreement.

1.11 Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

1.12 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

1.13 Construction contract debtors

Amounts recoverable on long term contracts represents the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the revenue accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the entity's contract activities based on normal operating capacity.

Amounts recoverable on long term contracts are presented as part of trade debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as payments on account in the balance sheet.

1.14 Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Impairment excluding stocks, investment properties and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

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. Differences between contributions payable in the year and contributions actually paid are shown as either other creditors or prepayments in the balance sheet.

1.16 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.17 Turnover

Turnover is stated net of VAT. In respect of the contracting activities, turnover represents the value of work done in the year including estimates of amounts not invoiced and adjustments relating to prior years which have been agreed during the year. In respect of the commercial development activities, turnover represents the sale of property recognised on exchange. In respect of the residential development activity turnover is recognised on completion of property sales. In respect of the Public Private Partnership and management activities turnover represents the value of services supplied during the year. All amounts are derived in the United Kingdom.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Further detail on deferred tax is set out in note 22.

1.20 Key management personnel

The key management personnel are the Directors of the Company as set out in the Directors report on page 9.

Notes *(continued)*

2 Accounting estimates and judgements

2a) Key sources of estimation uncertainty

Preparation of the financial statements requires the directors to make estimates. The items in the financial statements where these estimates have been made include

Contract turnover, Amounts recoverable on contracts and provisions

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 however there is inherent judgement in this assessment. Turnover for such contracts is stated by reference to the costs incurred as a proportion of the total anticipated contract costs, less amounts recognised in previous years. Amounts recoverable on contracts represent the gross unbilled amount for contract work performed to date. Provision is made for any losses as soon as they are foreseen. The provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2b) Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements (apart from those involving estimations included above) in applying the Group's accounting policies are described below.

Investment property

Investment properties are initially recognised at cost. Subsequent to initial recognition investment properties whose fair value can be measured reliably are held at fair value. The fair value of investment properties, based on an existing use value provided by GVA Grimley totals £72.0m (*2018: £64.2m*). Whilst the investment properties are valued by external experts, there are a number of judgements adopted in respect of items such as yields and lease renewals which affect the overall valuation.

Loans to joint ventures

Loans to joint ventures (see note 12) are initially recognised at cost. The loans are reviewed annually for impairment via a review of the joint ventures cash flow forecast which incorporates assumptions. No impairment has been recognised as future trading and cash flow forecasts demonstrate the joint ventures have sufficient funds to meet repayment of the loans as they fall due.

Life cycle provision

The Group has contractual obligations to maintain properties owned by LIFT entities and other third parties over the lives of those assets. The receipts are under contract however the timing and quantum of costs differs resulting in a provision on the balance sheet. Due to the duration of the life cycle contracts, there is uncertainty regarding the timing and extent of the costs required to maintain the assets and judgement is therefore required in order to assess sufficiency.

Notes *(continued)*

2 Accounting estimates and judgements *(continued)*

Trade debtors

Held within trade debtors are contract trade debtors that represent billed amounts for contract work performed to date (see note 15). Contract trade debtors are regularly reported and monitored to ensure the full amount is recovered. Provision is made for doubtful debts.

Classification of financial instruments

Financial instruments (see note 21) are recognised initially at fair value. Subsequent to initial recognition financial instruments are measured at fair value with changes recognised in profit or loss. The measurement of fair value requires estimation. Where the financial instrument falls under the classification of hedging instruments and is in a designated hedging relationship the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss. The assessment of hedge effectiveness requires judgement.

3 Turnover

The table below sets out the trading results for each of the Group's divisions after elimination of intercompany trading.

	2019	2018
	£000	£000
Property Investment	**895**	697
Construction	**105,841**	74,122
Civil Engineering and Water	**76,275**	63,573
Commercial & Residential Property Development	**16,311**	13,709
Facilities Management	**17,215**	13,194
Other	**6,671**	5,055
Total turnover	**223,208**	170,350

All turnover arose within the United Kingdom.

4 Other operating income

	2019	2018
	£000	£000
Rental income	**5,005**	4,784

5 Expenses and Auditor's remuneration

Included in the profit and loss account are the following:

	2019	2018
	£000	£000
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of these financial statements	**9**	8
Audit of financial statements of subsidiaries of the company	**108**	107
Tax advisory services	**7**	6
Depreciation	**320**	350
Loss on sale of fixed assets	**14**	1
Profit on sale of investment property	**-**	(1,340)

Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Notes *(continued)*

6 Staff numbers and costs

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

	Number of employees	
	2019	2018
Direct labour	**289**	285
Administration	**393**	361
	682	646

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**28,473**	26,327
Social security costs	**2,309**	2,109
Contributions to defined contribution plans	**2,446**	2,196
	33,228	30,632

Notes *(continued)*

7 Net interest payable

	2019 £000	2018 £000
Interest receivable and similar income		
Group:		
Bank and short term deposits	**39**	35
Interest receivable from associates and joint ventures	**1,715**	1,462
Finance debtor interest	**3,296**	3,437
Total interest receivable and similar income	**5,050**	4,934
Interest payable and similar expenses		
Group:		
Bank loans and overdrafts	**2,990**	3,042

8 Taxation

Total tax expense recognised in the profit and loss account.

	2019 £000	2019 £000	2018 £000	2018 £000
Current tax				
Current tax on income for the period		**303**		315
Adjustments in respect of prior periods		**10**		(250)
Total current tax		**313**		65
Deferred tax (see note 22)				
Origination and reversal of timing differences	**362**		849	
Adjustments in respect of prior periods	**(18)**		(63)	
Total deferred tax		**344**		786
Total tax charge		**657**		851

Total tax expense recognised in the profit and loss account and other comprehensive income.

	2019 £000 Current tax	2019 £000 Deferred tax	2019 £000 Total tax	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax
Recognised in Profit and loss account	**313**	**344**	**657**	65	786	851
Recognised in other comprehensive income	**-**	**(61)**	**(61)**	-	271	271
Total tax	**313**	**283**	**596**	65	1,057	1,122

All tax expenses recognised in the profit and loss account and other comprehensive income relates to UK Corporation tax.

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

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

	2019	2018
	£000	£000
Profit for the year	**7,037**	9,103
Total tax charge	**657**	851
Profit excluding taxation	**7,694**	9,954
Tax using the UK corporation tax rate of 19% (*2018: 19%*)	**1,462**	1,891
Fixed asset differences	**(156)**	(241)
Non-deductible expenses	**152**	155
Land remediation relief	**(2)**	(1)
Tax exempt revenues	**(363)**	(497)
Adjustments in respect of equity accounted investments	**(449)**	(412)
Share of profits of joint venture LLPs	**221**	-
Impact of change in deferred tax rates and difference between current and deferred tax rates	**(87)**	(123)
Gains on revaluation of investment property	**152**	846
Group relief claimed	**(540)**	(740)
Credit for Group relief	**275**	286
Adjustment in respect of prior years (current tax)	**10**	(250)
Adjustment in respect of prior years (deferred tax)	**(18)**	(63)
Total tax charge included in profit and loss	**657**	851

Factors that may affect future tax charges

The Group holds both a deferred tax asset and a liability. The deferred tax balances at 31 December 2019 have been calculated based on a rate of 17% as this is the prevailing rate that the group expected the deferred tax balances to reverse. In the Budget on 12 March 2020, the Government announced that the rate of corporation tax from 1 April 2020 would remain at 19%; had this change been substantively enacted at 31 December 2019, the group's deferred tax asset would have been £163,000 higher and the liability £384,000 higher.

Notes *(continued)*

9 Goodwill

Group

	Goodwill £000
Cost	
Balance at 1 January 2019 and 31 December 2019	1,459
Amortisation	
Balance at 1 January 2019 and 31 December 2019	1,459
Net book value	
At 31 December 2018 and 31 December 2019	-

Amortisation

The goodwill became fully amortised during the year ended 2015.

Company

The company does not hold any goodwill or intangible assets.

10 Tangible fixed assets

Group

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures and fittings £000	Plant, machinery and scaffolding £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 January 2019	3,586	584	2,175	4,316	328	10,989
Additions	-	27	199	84	12	322
Disposals	-	(13)	(11)	(30)	(16)	(70)
Balance at 31 December 2019	3,586	598	2,363	4,370	324	11,241
Depreciation						
Balance at 1 January 2019	236	341	1,963	3,790	245	6,575
Depreciation charge for the year	34	24	101	130	31	320
Disposals	-	(12)	(9)	(16)	(15)	(52)
Balance at 31 December 2019	270	353	2,055	3,904	261	6,843
Net book value						
At 31 December 2019	**3,316**	**245**	**308**	**466**	**63**	**4,398**
At 31 December 2018	3,350	243	212	526	83	4,414

Notes *(continued)*

10 Tangible fixed assets *(continued)*

***Group** (continued)*

Land and Buildings

The net book value of land and buildings in tangible fixed assets and investment properties comprises:

	2019 **£000**	2018 £000
Freehold	44,769	42,324
Long leasehold	30,569	25,232
Short leasehold	245	243
	75,583	67,799

Company

	Freehold Improvements £000	**Freehold property £000**	**Plant and machinery £000**	**Motor vehicles £000**	**Total £000**
Cost or valuation					
At beginning of year	382	3,586	2,298	46	6,312
Additions	-	-	189	-	189
At end of year	382	3,586	2,487	46	6,501
Depreciation					
At beginning of year	141	236	2,120	6	2,503
Charge for year	22	34	55	11	122
At end of year	163	270	2,175	17	2,625
Net book value					
At 31 December 2019	**219**	**3,316**	**312**	**29**	**3,876**
At 31 December 2018	241	3,350	178	40	3,809

11 Investment property

Group	***Group*** **2019 £000**	***Company*** **2019 £000**
Balance at 1 January 2019	64,206	53,751
Additions	8,391	4,590
Transfers	-	4,400
Disposals	(2,098)	(2,098)
Net gain from fair value adjustments	1,523	343
Balance at 31 December 2019	**72,022**	**60,986**
Historical cost net book value	55,030	55,218

All investment properties are held at fair value. All such assets were valued at 1 December 2019 at market value on the basis of existing use by GVA Grimley, Chartered Surveyors, an external independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. All other assets are at cost less depreciation. There is deemed no material difference from the valuation date to the year end with the exception of circumstances specific to an investment property under development.

Notes *(continued)*

12 Fixed asset investments

Group

	Loans to Joint Ventures £000	Interests in Joint Ventures £000	Total Interests in Joint Ventures £000	Investments in associates	Investments other £000	Total £000
Cost						
At 1 January 2019	14,486	(159)	14,327	2,396	19	16,742
Additions	-	38	38	-	-	38
New loans provided	1,455	-	1,455	1,603	-	3,058
Repayment of loans	(1,702)	-	(1,702)	(81)	-	(1,783)
Share of profit/(loss)	-	89	89	(24)	-	65
Revaluation of listed investments	-	-	-	-	12	12
At 31 December 2019	14,239	(32)	14,207	3,894	31	18,132
Provision						
At 1 January 2019	(11,022)	-	(11,022)	-	-	(11,022)
Movement in provision	307	-	307	-	-	307
At 31 December 2019	(10,715)	-	(10,715)	-	-	(10,715)
Net book value						
At 31 December 2019	**3,524**	**(32)**	**3,492**	**3,894**	**31**	**7,417**
At 31 December 2018	3,464	(159)	3,305	2,396	19	5,720

The additions to joint venture investments relates to a 50% interest in Glenholme Wrightcare Limited.

Company	**Shares in group undertakings £000**
Cost	
At 1 January 2019 and 31 December 2019	**788**

13 Other investments and financial assets

Included in fixed asset investments are listed investments amounting to £31,000 (*2018: £19,000)* for the Group, and £nil *(2018: £nil)* for the Company.

14 Stocks

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Consumables	**-**	32	-	-
Work in progress	**25,516**	25,367	-	-
	25,516	25,399	-	-

The write-down of stocks to net realisable value through cost of sales amounted to £544,000 *(2018: £53,000)*. Offsetting this is a write-back of a previous impairment of £111,000 *(2018: £nil)*. Within work in progress are assets totalling £12.9m which are generating incidental rental income however are available for immediate disposal.

Notes *(continued)*

15 Debtors

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Amounts falling due within one year				
Finance lease debtor receivable	**1,647**	1,672	**-**	-
Trade debtors	**28,768**	19,957	**715**	658
Amounts recoverable on long term contracts	**16,040**	15,335	**-**	-
Amounts due from parent company	**-**	8	**-**	-
Amounts due from subsidiaries	**-**	-	**4,801**	5,404
Corporation tax	**70**	280	**60**	285
Prepayments	**4,860**	3,775	**2,558**	2,096
Deferred tax	**1,384**	1,320	**-**	-
Other debtors	**1,464**	1,349	**212**	288
	54,233	43,696	**8,346**	8,731
Due after more than one year				
Finance lease debtor receivable	**39,334**	41,102	**-**	-
	93,567	84,798	**8,346**	8,731

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

16 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**10,485**	12,248
Bank overdrafts	**(2,018)**	-
Cash and cash equivalents per cash flow statements	**8,467**	12,248

17 Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Bank loans and overdraft	**4,191**	1,735	**400**	-
Payments on account	**6,829**	4,514	**-**	-
Trade creditors	**30,742**	26,691	**1,619**	1,250
Amounts due to parent company	**4,535**	4,666	**3,835**	4,300
Amounts due to subsidiaries	**-**	-	**98**	442
Taxation and social security	**3,213**	1,825	**166**	136
Other creditors	**10,788**	10,125	**580**	630
Accruals and deferred income	**5,971**	6,719	**1,386**	1,302
	66,269	56,275	**8,084**	8,060

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

Notes *(continued)*

18 Creditors: amounts falling after more than one year

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Bank loans	**63,473**	58,174	**33,100**	26,000
Deferred Income	**4,137**	4,005	**-**	-
Financial instruments	**9,861**	9,499	**-**	-
	77,471	71,678	**33,100**	26,000

Details on financial instruments are included in notes 20 and 21.

19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019 £000	2018 £000
Loans and overdrafts can be analysed as falling due:		
On demand – Overdraft	**2,018**	-
In one year or less	**2,173**	1,735
Between one and two years	**23,092**	7,773
Between two and five years	**17,927**	25,451
In five years or more	**22,454**	24,950
	67,664	59,909
Creditors falling due after more than one year		
Secured bank loans	**63,473**	58,174
	63,473	58,174

	2019 £000	2018 £000
Creditors falling due within less than one year		
Secured bank loans	**2,173**	1,735
	2,173	1,735

Bank loans are secured on certain investment properties of Eric Wright Group Limited and other group companies.

All financial liabilities are denominated in UK pounds sterling. The financial liabilities carry floating rates of interest, based upon market rates prevailing at the time. Some of these financial liabilities have been swapped to a fixed interest rate.

Interest rate swaps, denominated in pounds sterling have been entered into to protect the maximum interest expense to which the Group is exposed. These swaps with an underlying debt value of £32,079,000 (*2018: £33,842,000*) enable the Group to swap floating rate liabilities on loans linked to LIBOR to a fixed rate liability. The period of these swap arrangements ranges from 5 to 18 years as at 31 December 2019. This capped the maximum interest payable by the Group to December 2019 at 5.87%.

The interest paid by the Group on its bank floating rate liabilities is at a rate of LIBOR plus a margin of 2% to 2.7% *(2018: LIBOR plus 2% to 3%)*.

Notes *(continued)*

19 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Term loan 1	£ GBP	Libor + 2.7%	2020	Amortising	**12,500**	6,000
Revolving Credit Facility	£ GBP	Libor + 2%	2021	Revolving Credit Facility	**21,000**	20,000
Debenture loans	£ GBP	Libor + 2%	-	Subordinated debt	**67**	67
Term loan 2	£ GBP	7.41%	2024	Amortising	**3,164**	3,809
Term loan 3	£ GBP	7.36%	2030	Amortising	**5,752**	6,163
Term loan 4	£ GBP	6.18%	2037	Amortising	**23,163**	23,870
					65,646	59,909

Following a refinance completed in December 2019, Term loan 1 is an amortising 5 year term loan with annual capital repayments of £400,000 and falling due for final repayment in December 2024.

The Revolving Credit Facility is drawn for a fixed period, agreed in advance with the bank. The RCF is either repaid at the end of the fixed period or the period extended. The RCF facility was refinanced in December 2017 for a 42 month period to June 2021.

The debenture loan is unsecured and no redemption date has been set.

The term loans 2-4 are repaid bi-annually and full repayment will be made by the expiry date and relate to the Group's PFI arrangement.

20 Other financial liabilities

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due after more than one year				
Other financial liabilities designated as fair value through other comprehensive income	**9,861**	9,499	-	-
	9,861	9,499	-	-

Notes *(continued)*

21 Financial instruments

21 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Notional amount £000	Maturity Year	Fixed Rate %	Fair value liability 2019 £000	Fair value liability 2018 £000
Liabilities measured at amortised cost					
Interest rate swap 1	3,211	2024	5.865	**(446)**	(576)
Interest rate swap 2	5,726	2030	5.400	**(1,506)**	(1,573)
Interest rate swap 3	23,138	2037	4.400	**(7,909)**	(7,350)
				(9,861)	(9,499)

21 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swap and interest rate caps is based on broker quotes. Those quotes are tested for reasonableness by comparing against prior year valuations, market interest rates and valuations for similar instruments at the measurement date.

21 (c) Hedge accounting

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Group has entered into swap agreements with RBS, Bank of Tokyo Mitsubishi, Aviva and Co-operative Bank. These result in the Group paying the LIBOR floating interest rate and receiving and/or paying a fixed interest rate on the swaps. This effectively fixes the interest cost on the loans.

The derivatives are accounted for as a hedge of variable interest rate risks, in accordance with FRS 102. The cash flow arising from the interest rate swaps will continue until their maturity, coinciding with the repayment of the loans.

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models:

	2019						2018					
	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5 years and over £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps:												
Liabilities	**32,075**	**19,605**	**2,075**	**1,975**	**5,173**	**10,382**	33,806	21,790	2,185	2,075	5,560	11,970
	32,075	**19,605**	**2,075**	**1,975**	**5,173**	**10,382**	33,806	21,790	2,185	2,075	5,560	11,970

The change in fair value in the period is recognised in other comprehensive income as the swaps were 100% effective hedges.

Notes *(continued)*

21 Financial instruments *(continued)*

21 (d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2019 £000	Fair value 2018 £000
Interest rate swaps	**(9,861)**	(9,499)

22 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Held in provisions for liabilities and charges	**Group 2019 £000**	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
At 1 January	**2,915**	2,000	**2,044**	1,304
Profit and loss account charge	**313**	820	**275**	740
Amount recognised in other comprehensive income	**34**	95	**-**	-
At 31 December	**3,262**	2,915	**2,319**	2,044

Held in debtors	**2019 £000**	2018 £000	**2019 £000**	2018 £000
At 1 January	**(1,320)**	(1,462)	**-**	-
Profit and loss account charges/(credit)	**31**	(34)	**-**	-
Amount recognised in other comprehensive income	**(95)**	176	**-**	-
At 31 December	**(1,384)**	(1,320)	**-**	-

Notes *(continued)*

22 Deferred tax assets and liabilities *(continued)*

Deferred tax liability	**Group 2019 £000**	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Accelerated capital allowances	**2,241**	2,110	**1,076**	927
Other timing differences	**(29)**	(73)	**(65)**	(78)
Short term timing differences financial instruments	**(332)**	(365)	**-**	-
Other short term timing differences	**1,382**	1,243	**1,308**	1,195
	3,262	2,915	**2,319**	2,044

Deferred tax asset	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Accelerated capital allowances	**20**	-	-	-
Others	**20**	70	-	-
Short term timing differences - financial instruments	**1,344**	1,250	-	-
	1,384	1,320	-	-

23 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £2,446,000 (*2018: £2,196,000)* the amount due to the scheme at the year end is £222,000 *(2018: £211,000)*.

Notes *(continued)*

24 Capital and reserves

Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
394,450 ordinary shares of 10p each	**39**	39

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

25 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Less than one year	**282**	295	**242**	254
Between one and five years	**1,083**	1,176	**921**	1,014
More than five years	**22,994**	24,510	**18,861**	20,337
	24,359	25,981	**20,024**	21,605

During the year £318,000 was recognised as an expense in the profit and loss account in respect of operating leases (*2018: £369,000*).

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Less than one year	**5,218**	4,371	**4,216**	3,429
Between one and five years	**14,025**	11,934	**11,241**	9,175
More than five years	**51,644**	45,321	**49,377**	43,442
	70,887	61,626	**64,834**	56,046

There are no material individual leasing arrangements requiring disclosure.

Notes *(continued)*

26 Finance leases

Leases as lessor

The Group has finance leases in connection with its PFI arrangements. The minimum lease receivable payments at the end of the reporting period are as follows:

	Minimum lease receivable 2019 £000	**Interest 2019 £000**	**Principal 2019 £000**	Minimum lease receivable 2018 £000	Interest 2018 £000	Principal 2018 £000
Within one year	**4,789**	**3,142**	**1,647**	4,929	3,257	1,672
Greater than one year and less than two years	**5,041**	**2,994**	**2,047**	4,815	3,134	1,681
Greater than two years and less than five years	**14,374**	**8,085**	**6,289**	14,456	8,526	5,930
Greater than five years	**46,336**	**15,339**	**30,997**	51,293	17,802	33,491
	70,540	**29,560**	**40,980**	75,493	32,719	42,774

27 Commitments

Capital commitments

The Group and the Company have no contractual commitments to purchase tangible fixed assets at either the current or prior year-end.

In respect of interests in Jointly Controlled Entities, the Group and Company have no commitment to incur capital expenditure at either the current or prior year end.

28 Contingencies

There is a cross guarantee in place in relation to the Group's Revolving Credit Facility between all Group companies. This is supported by a first legal charge over certain Group properties.

Notes *(continued)*

29 Related parties

Company

Identity of related parties

Company/entity	Portion of ordinary shares held	
Subsidiary undertakings		
Eric Wright Construction Limited*	100%	
Eric Wright Partnerships*	100%	
Eric Wright Civil Engineering Limited*	100%	
Maple Grove Developments Limited*	100%	
Eric Wright Investments Limited	100%	Dormant
Maple Grove Investments Limited	100%	
Stonecross Enterprises Limited	100%	
Elltech Limited	95%	
Sceptre Nursery Limited	100%	
Eric Wright Commercial Limited	100%	Dormant
Skemtech Limited	95%	
Fleetwood PPP Limited*	100%	
Cobco 494 Limited	100%	
Cobco 450 Limited	100%	
Eric Wright FM Limited	100%	
Eric Wright Homes Limited	100%	
Maple Grove Residential Limited	100%	
Applethwaite Limited	100%	
Eric Wright Developments	100%	Dormant
Eric Wright Water Limited	100%	
EWGN Blackpool PSP Limited*	80%	Dormant
Blackpool LEP Limited	64%	
Highfield PFI Holdco Limited	72%	Dormant
Highfield PFI SPV Limited	72%	
Samlesbury Developments Limited*	100%	Dormant
Joint Ventures		
Foundation for Life Limited*	60%	
Leigh Holdco Limited	60%	Dormant
Leigh Fundco Limited	60%	
Pacific Shelf 888 Limited	60%	
Pemberton Care Limited	60%	
Pinco 2033 Limited	60%	
Pinco 2206 Limited	60%	
Pimco 2401 Limited	60%	
FFL Capital Projects Limited	60%	Dormant
East Lancashire Building Partnership Limited*	60%	
Blackburn Holdco Limited	60%	Dormant
Blackburn Fundco Limited	60%	
Rossendale LIFT Limited	60%	
Pinco 2223 Limited	60%	
Pimco 2297 Limited	60%	
Inhoco 2952 Limited	60%	
Pimco 2451 Limited	60%	
East Lancashire Capital Projects Limited	60%	
Brahm LIFT Limited*	60%	
Brahm Intermediate Holdco 1 Limited	60%	Dormant
Brahm Fundco 1 Limited	60%	
Brahm Intermediate Holdco 2 Limited	60%	Dormant
Brahm Fundco 2 Limited	60%	
Bolton Holdco 1 Limited	60%	Dormant
Bolton Fundco 1 Limited	60%	
Brahm Capital Projects Limited	60%	Dormant
Booths Partnership Limited	50%	
Regional and Local Education Partnership Limited	26%	Dormant
Tri link 140 Holdings 1 LLP	50%	
Tri Link 140 Holdings 2 LLP	50%	
Winsford Holdings 1 LLP	50%	
Winsford Holdings 2 LLP	50%	
Holbeck Homes (Cartmel) Limited	50%	
Glenholme Wrightcare Limited	50%	
Glenholme Healthcare (Bispham Gardens) Limited	50%	

Notes *(continued)*

29 Related parties (continued)

Additional information on subsidiaries and joint ventures

Associates	
Sapphire Extra Care Limited	25%
Deeside Regeneration Limited	24.9%

All companies are registered and operate in England and Wales and principal activities are either building, contracting, civil engineering or property development. The registered addresses of the related parties are available in the accounts of each of the entities, which are available from Companies House.

* Eric Wright Group Limited directly owns the share capital of these entities. All remaining share capital is owned indirectly through subsidiary undertakings.

30 Related party transactions

Recipient company	EWG Shareholding	Goods and services supplied		Balance outstanding at end of year	
		2019	2018	**2019**	2018
		£000's	£000's	**£000's**	£000's
During the year the Group supplied construction services to the following companies in which the Group has an interest. These services were provided by Eric Wright Construction Limited.					
Blackpool Local Education Partnership Ltd	64%	**2,395**	1,166	384	-
East Lancashire Capital Projects Ltd	60%	**278**	1,472	-	-
During the year the company supplied hard FM services to the following companies in which Eric Wright Group Limited has an interest. These services were provided by Eric Wright FM Limited:					
Blackpool Local Education Partnership Ltd	64%	**126**	107	**1**	-
Blackburn Fundco Ltd	60%	**298**	344	**-**	-
Bolton Fundco 1 Ltd	60%	**307**	299	**-**	-
Brahm Fundco 1 Ltd	60%	**639**	622	**-**	-
Brahm Fundco 2 Ltd	60%	**453**	441	**-**	-
Highfield PFI SPV Ltd	72%	**393**	383	**-**	-
Inhoco 2952 Ltd	60%	**1,215**	1,040	**-**	-
Leigh Fundco Ltd	60%	**262**	255	**-**	-
Pacific Shelf 888 Ltd	60%	**34**	33	**-**	-
Pemberton Care Ltd	60%	**107**	104	**37**	-
Pimco 2297 Ltd	60%	**70**	69	**-**	-
Pimco 2401 Ltd	60%	**142**	138	**-**	-
Pimco 2451 Ltd	60%	**482**	498	**-**	-
Pinco 2033 Ltd	60%	**464**	452	**-**	-
Pinco 2206 Ltd	60%	**278**	270	**-**	-
Pinco 2223 Ltd	60%	**747**	844	**-**	-
Rossendale Lift Ltd	60%	**395**	384	**-**	-

Notes *(continued)*

30 Related party transactions *(continued)*

Recipient company	EWG Shareholding	Goods and services supplied		Balance outstanding at end of year	
		2019	2018	**2019**	2018
		£000's	£000's	**£000's**	£000's

During the year the company provided management services to the following companies in which Eric Wright Group Limited has an interest. These services were provided by Eric Wright Partnerships Limited.

Blackburn Fundco Ltd	60%	**19**	19	-	-
Blackpool Local Education Partnership Ltd	64%	**59**	47	-	-
Bolton Fundco 1 Ltd	60%	**71**	69	-	-
Brahm Fundco 1 Ltd	60%	**122**	118	-	-
Brahm Fundco 2 Ltd	60%	**95**	92	-	-
Brahm Lift Ltd	60%	**244**	183	-	-
Inhoco 2952 Ltd	60%	**129**	125	-	-
Leigh Fundco Ltd	60%	**48**	47	-	-
Pacific Shelf 888 Ltd	60%	**9**	9	-	-
Pemberton Care Ltd	60%	**30**	29	-	-
Pimco 2297 Ltd	60%	**9**	9	-	-
Pimco 2401 Ltd	60%	**45**	44	-	-
Pimco 2451 Ltd	60%	**76**	74	-	-
Pinco 2033 Ltd	60%	**105**	103	-	-
Pinco 2206 Ltd	60%	**86**	83	-	-
Pinco 2223 Ltd	60%	**79**	77	-	-
Rossendale Lift Ltd	60%	**13**	24	-	-
East Lancashire Building Partnership Ltd	60%	**228**	155	-	-
Foundation for Life Limited	60%	**167**	158	-	-

31 Controlling party

The company is a subsidiary undertaking of Henmead Limited. The ultimate controlling party is the Eric Wright Charitable Trust.

The largest group in which the results of the Group are consolidated is that headed by the Eric Wright Charitable Trust, Sceptre House, Sceptre Way, Bamber Bridge, Preston, PR5 6AW. The smallest Group in which they are consolidated is that headed by Henmead Limited, Sceptre House, Sceptre Way, Bamber Bridge, Preston, PR5 6AW. The consolidated financial statements of the Eric Wright Charitable Trust are available to the public and may be obtained from the Charity Commission www.government/organisations/charity-commission. The consolidated financial statements of Henmead Limited may be obtained from Companies House, Crown Way, Cardiff.

32 Post balance sheet events

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency and on 11 March 2020, it announced that Coronavirus was a global pandemic. The UK subsequently entered to a lock down period which has significantly impacted many businesses nationally in terms of their ability to trade effectively.

The Group is well diversified and has proved resilient in a number of areas, as documented in more detail in the Chairman's Statement.

The Directors have considered the financial impact of the pandemic on the year end balance sheet and current year trading areas including: the valuation of development work in progress and investment properties; recoverability of trade debtors including amounts recoverable on contracts; the fair value of swaps and the potential for onerous contracts. Due to the current level of uncertainty in the global economic climate, it is not yet possible to quantify the financial impact of the Coronavirus global pandemic.