

ESH HOLDINGS LIMITED

**DIRECTORS' REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2001**



ESH HOLDINGS LIMITED

DIRECTORS:

Mr M F Hogan (chairman)
Mr J G Lumsden
Mr A J Carroll
Mr B Manning
Mr A R Pickett
Mr A Donohoe

SECRETARY:

Mr A R Pickett

REGISTERED OFFICE:

65 Durham Road
Esh Winning
County Durham

REPORT AND GROUP FINANCIAL STATEMENTS***FOR THE YEAR ENDED 31ST DECEMBER 2001***

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ESH HOLDINGS LIMITED**REPORT OF THE DIRECTORS**
for the year ended 31st December 2001

The directors present herewith their report together with the audited group financial statements for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the group during the year were building construction, civil engineering and estate management.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are pleased with the results for the year and report that the increased level of profit reflects the strong performance achieved in the civil engineering and housing sectors of the business. The directors are confident that the company has the resources and ability to sustain and improve on these results in the forthcoming year. The financial position at the balance sheet date is extremely healthy and provides a strong basis for the future development of the group.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,875,593. The directors authorised the payment of an interim dividend of 7p per 14% (2000 12.5%) preference share.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, and their beneficial and non-beneficial interests were as follows:

December 2001**Beneficial interests**

	<i>1p voting shares</i>	<i>14% preference shares</i>	<i>1p non-voting shares</i>
M F Hogan (chairman)	33,060	2,400,000	244,000
J G Lumsden	25,100	714,830	135,000
A J Carroll	25,100	780,660	135,000
B Manning	6,696	-	-
J M Tait (resigned 31.12.01)	-	-	-
A R Pickett	3,348	-	-
A Donohoe (appointed 1.4.01)	-	-	-

Non-beneficial interests

	<i>1p voting shares</i>	<i>14% preference shares</i>	<i>1p non-voting shares</i>
M F Hogan (chairman)	-	50,097	5,010
J G Lumsden	-	714,830	-
A J Carroll	-	649,000	-
B Manning	-	321,459	41,673
J M Tait	-	-	-
A R Pickett	-	147,947	22,673
A Donohoe	-	-	-

ESH HOLDINGS LIMITED

REPORT OF THE DIRECTORS
for the year ended 31st December 2001 (continued)

DIRECTORS AND THEIR INTERESTS (CONTINUED)*December 2000**Beneficial interests*

	<i>1p voting shares</i>	<i>12.5% preference shares</i>	<i>1p non-voting shares</i>
M F Hogan (chairman)	33,060	2,400,000	240,000
J G Lumsden	25,100	714,830	135,000
A J Carroll	25,100	780,660	135,000
B Manning	6,696	-	-
J M Tait	-	-	-
A R Pickett	3,348	-	-

Non-beneficial interests

	<i>1p voting shares</i>	<i>12.5% preference shares</i>	<i>1p non-voting shares</i>
M F Hogan (chairman)	-	50,097	5,010
J G Lumsden	-	714,830	-
A J Carroll	-	649,000	-
B Manning	-	321,459	37,673
J M Tait	-	-	-
A R Pickett	-	147,947	19,673

Mr Hogan's beneficial interest shares are held by Vestbrown Limited, a company in which he is a substantial shareholder.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the group as at the end of the financial year and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- follow applicable accounting standards, 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 company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

ESH HOLDINGS LIMITED

REPORT OF THE DIRECTORS
for the year ended 31st December 2001 (continued)

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the group made various charitable contributions totalling £1,525.

There were no political contributions.

MARKET VALUE OF LAND AND BUILDINGS

The group's investment properties were revalued at 31st December 2001. The valuation of £6,394,978 has been incorporated into these financial statements.

In the opinion of the directors, the market value of the group's other properties is not materially different from their net book value.

FIXED ASSETS

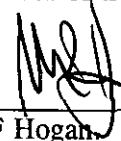
Details of movements in fixed assets during the year are shown in notes 9 to 11 to the financial statements.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing Courtman Stock be re-appointed as auditors will be put to the Annual General Meeting.

This report was approved by the board on 22nd May 2002.

By order of the board:



M F Hogan
Director.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ESH HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 23 which have been prepared under the historical cost convention (as modified by the revaluation of investment properties) and the accounting policies set out on pages 10 and 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give a reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's and of the group's financial affairs at 31st December 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Marlborough House
Yarm Road
Stockton-on-Tees
22nd May 2002

Courtman Stock

COURTMAN STOCK
Chartered Accountants and Registered Auditors

ESH HOLDINGS LIMITED

CONSOLIDATED GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2001

	Notes	December 2001 £	December 2000 £
TURNOVER	2	43,149,010	40,599,986
Cost of sales		(35,980,024)	(35,335,649)
GROSS PROFIT		7,168,986	5,264,337
Administrative expenses		(3,893,340)	(3,288,557)
Other operating income		91,888	11,385
OPERATING PROFIT	3	3,367,534	1,987,165
Loss on disposal of fixed assets		(50,237)	(4,885)
Income from investments		-	140,000
Interest receivable		62,704	47,673
Interest payable	4	(651,985)	(560,684)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,728,016	1,609,269
Tax on profit on ordinary activities	5	(706,043)	(450,358)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,021,973	1,158,911
Minority interests - share of losses/(profits)		(146,380)	26,028
PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY		1,875,593	1,184,939
Dividends - paid or proposed	6	(586,962)	(390,182)
RETAINED PROFIT FOR THE YEAR	24	£1,288,631	£ 794,757

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial periods.

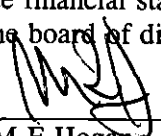
ESH HOLDINGS LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
for the year ended 31st December 2001

	<i>December 2001</i> £	<i>December 2000</i> £
Retained profit for the year	1,279,027	794,757
Increase in investment revaluation reserve	46,731	19,035
TOTAL RECOGNISED GAINS FOR THE YEAR	<u>1,325,758</u>	<u>813,792</u>

ESH HOLDINGS LIMITED**GROUP BALANCE SHEET**
as at 31st December 2001

	<i>Notes</i>	<i>December 2001</i>	<i>December 2000</i>
		<i>£</i>	<i>£</i>
FIXED ASSETS			
Intangible assets	9	142,605	161,532
Tangible assets	10	9,661,098	9,064,983
		<u>9,803,703</u>	<u>9,226,515</u>
CURRENT ASSETS			
Stock and work in progress	12	5,248,535	7,462,233
Debtors	13	5,965,596	6,945,555
Investments	14	103,002	2
Cash at bank and in hand	15	4,650,251	1,994,263
		<u>15,967,384</u>	<u>16,402,053</u>
CREDITORS			
Amounts falling due within one year	16	11,954,159	10,520,836
NET CURRENT ASSETS		<u>4,013,225</u>	<u>5,881,217</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,816,928	15,107,732
CREDITORS			
Amounts falling due after more than one year	17	(4,216,418)	(7,080,838)
MINORITY INTERESTS		<u>(1,064,451)</u>	<u>(850,793)</u>
NET ASSETS		<u>8,536,059</u>	<u>7,176,101</u>
CAPITAL AND RESERVES			
Share capital	20	6,185,373	6,194,597
Revaluation reserve	21	102,075	55,344
Share premium account	22	33,820	-
Other reserves	23	9,604	-
Profit and loss account	24	2,205,187	926,160
Shareholders' funds	25	<u>8,536,059</u>	<u>7,176,101</u>

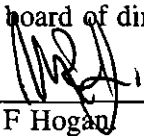
These financial statements were approved
by the board of directors on 22nd May 2002.


Mr M F Hogan.
Director.

ESH HOLDINGS LIMITED**COMPANY BALANCE SHEET**
as at 31st December 2001

	<i>Notes</i>	<i>December 2001</i>		<i>December 2000</i>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10	121,290		61,290	
Investments	11	6,568,640		6,465,174	
			6,689,930		6,526,464
CURRENT ASSETS					
Debtors	13	1,585,706		961,580	
Cash at bank and in hand		1,476,167		883,418	
		3,061,873		1,844,998	
CREDITORS					
Amounts falling due within one year	16	490,620		614,727	
NET CURRENT ASSETS			2,571,253		1,230,271
TOTAL ASSETS LESS CURRENT LIABILITIES			9,261,183		7,756,735
CREDITORS					
Amounts falling due after more than one year	17		(183,333)		-
			9,077,850		7,756,735
CAPITAL AND RESERVES					
Share capital	20		6,185,373		6,194,597
Share premium account	22		33,820		-
Other reserves	23		9,604		-
Profit and loss account	24		2,849,053		1,562,138
Shareholders' funds	25		9,077,850		7,756,735

These financial statements were approved
by the board of directors on 22nd May 2002.


Mr M F Hogan
Director.

ESH HOLDINGS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
for the year ended 31st December 2001

	Notes	December 2001 £	December 2000 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3	7,778,420	1,014,303
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(545,209)	(463,290)
Interest received		62,704	47,673
Interest element of hire purchase payments		(106,776)	(97,394)
Preference dividend paid		(541,398)	(291,670)
Dividend received from non-consolidated subsidiary		-	140,000
<i>Net cash outflow from returns on investment and servicing of finance</i>		<u>(1,130,679)</u>	<u>(664,681)</u>
TAXATION			
Corporation tax paid		<u>(532,540)</u>	<u>(472,183)</u>
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(488,255)	(3,770,420)
Payments to acquire intangible fixed assets		(103,000)	-
Receipts from sales of tangible fixed assets		278,075	200,186
Receipts from repayment of investment loan		-	300,803
<i>Net cash outflow from investing activities</i>		<u>(313,180)</u>	<u>(3,269,431)</u>
NET CASH INFLOW BEFORE FINANCING		<u>5,802,021</u>	<u>(3,391,992)</u>
ACQUISITIONS AND DISPOSALS			
Expenses of acquisition		-	(652)
Net overdrafts acquired with subsidiaries		-	-
Net cash acquired with subsidiaries		-	1,002
Purchase of shares in new subsidiaries		-	(533)
<i>Net cash outflow from acquisitions and disposals</i>		<u>-</u>	<u>(183)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>5,802,021</u>	<u>(3,392,175)</u>
FINANCING			
Issue of share capital		34,200	74,069
Repurchase of share capital		(9,604)	(34,921)
Net movement on long term borrowings		(1,953,347)	3,764,785
Net movement on short term borrowings		(92,945)	14,384
Capital element of hire purchase payments		(978,471)	(1,026,356)
<i>Net cash inflow from financing</i>		<u>(3,000,167)</u>	<u>2,791,961</u>
INCREASE/(DECREASE) IN CASH		<u>2,801,854</u>	<u>(600,214)</u>

ESH HOLDINGS LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001****1. ACCOUNTING POLICIES*****Basis of preparation***

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties.

The financial statements are prepared in accordance with applicable standards. Compliance with SSAP 19, Accounting for Investment Properties, requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of this departure is given in the investment properties' accounting policy note below.

Basis of consolidation

The group financial statements consolidate the financial statements of Esh Holdings Limited and all its subsidiary undertakings, except Micropump (NE) Limited and Terry Robson Limited.

The parent company owns 50% of the voting rights, and exercises a dominant influence over the operating and financial policies, of Micropump (NE) Limited. Esh Holdings Limited also owns 100% of the share capital of Terry Robson Limited. It is the view of the directors that these undertakings are not material in the context of the group and, therefore, they are not consolidated in the group financial statements, but are disclosed as current asset investments.

No profit and loss account is presented for Esh Holdings Limited as permitted by section 230 of the Companies act 1985.

The reporting date of the financial statements of all members of the group is 31st December.

Turnover

Turnover represents the amounts invoiced to customers net of trade discounts and value added tax.

Investment properties

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit on revaluation is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of investment properties.

The requirement of the Companies Act 1985 is to depreciate all properties, but this requirement conflicts with the generally accepted accounting principles set out in SSAP 19. The directors consider that this accounting policy results in the financial statements giving a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Goodwill

Goodwill on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Historical goodwill and goodwill arising on future acquisitions will be capitalised and amortised through the profit and loss account over its useful economic life.

ESH HOLDINGS LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS**
for the year ended 31st December 2001 (continued)**1. ACCOUNTING POLICIES (CONTINUED)*****Tangible fixed assets and depreciation***

Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation, less estimated residual value of each asset, over its expected useful life as follows:

Freehold property	4% straight line.
Motor vehicles	25% reducing balance.
Plant and equipment	20% reducing balance.
Fixtures and fittings	15% reducing balance.

Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value as follows:-

Raw materials and goods for resale - purchase cost.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on the estimated selling price less any further costs expected to be incurred up to completion and disposal.

Investments

Investments are stated at cost less provision for diminution in value.

Pension costs

The group contributes to a self administered pension scheme on behalf of the chairman and certain directors.

Contributions are charged to profit and loss account as paid in accordance with the rules of the scheme.

Contributions to individual pension schemes of other directors and staff are charged to profit and loss account as and when they are incurred. These schemes are not managed by the company.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of material timing differences except to the extent that, in the opinion of the directors, there is a reasonable probability that the liability will not arise in the foreseeable future.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

2. TURNOVER

Turnover represents the amounts recoverable for goods and services provided in the United Kingdom, net of trade discounts and value added tax. Turnover is attributable to the group's main activities.

3. OPERATING PROFIT

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<i>Operating profit is stated after charging:</i>				
Auditor's remuneration:				
- audit services	44,675	8,000	42,347	6,800
- non-audit services	-	-	4,115	4,115
Depreciation:				
- owned fixed assets	163,095	-	101,512	-
- assets under finance leases	538,053	-	541,672	-
Amortisation of goodwill	18,927	-	50,927	-
Operating lease premiums:				
- land and buildings	37,842	-	85,310	-
- plant and equipment	1,376,638	-	2,478,021	-

Group cash inflow from operating activities

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Operating profit	3,367,534	1,987,165
Depreciation of tangible fixed assets	701,148	643,178
Amortisation of intangible fixed assets	18,927	50,927
Decrease in loan	(72,109)	(250,538)
Increase/(decrease) in stocks	2,213,698	(620,155)
Increase/(decrease) in operating debtors and prepayments	1,104,656	(833,258)
Increase in operating creditors and accruals	444,566	36,984
<i>Net cash inflow from operating activities</i>	<u>7,778,420</u>	<u>1,014,303</u>

4. INTEREST PAYABLE

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
On bank loans and overdrafts	282,704	-	286,667	-
On bank loans not wholly repayable within five years	247,694	-	160,046	-
On finance leases	106,776	-	97,394	-
Interest on late payment of tax	276	-	-	-
Other interest payments	14,535	-	16,577	28
	<u>651,985</u>	<u>-</u>	<u>560,684</u>	<u>28</u>

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
UK corporation tax:				
current tax on				
income for the year	789,086	(22,316)	465,857	-
prior year adjustments	(83,043)	(2,039)	(15,499)	(2,591)
	<u>706,043</u>	<u>(24,355)</u>	<u>450,358</u>	<u>(2,591)</u>

6. DIVIDENDS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
<i>On 14% cumulative preference shares:</i>				
Paid	154,685	154,685	3,469	3,469
Proposed	432,277	432,277	386,713	386,713
	<u>586,962</u>	<u>586,962</u>	<u>390,182</u>	<u>390,182</u>

7. EMPLOYEE INFORMATION

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
Wages and salaries	7,770,164	20,000	7,487,141	-
Social security costs	695,716	776	646,632	-
Pension costs	119,409	-	194,676	-
	<u>8,585,289</u>	<u>20,776</u>	<u>8,328,449</u>	<u>-</u>

The average monthly number of employees during the year was:

	<i>December 2001</i>	<i>December 2000</i>
	<i>Number</i>	<i>Number</i>
Office and management	98	86
Production	355	345
	<u>453</u>	<u>431</u>

ESH HOLDINGS LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS**
*for the year ended 31st December 2001 (continued)***8. DIRECTORS' REMUNERATION**

	<i>December 2001</i> £	<i>December 2000</i> £
Emoluments	253,479	208,599
Company contributions to money purchase pension schemes	10,500	97,100
	<u>263,979</u>	<u>305,699</u>

Retirement benefits are accruing under defined contribution schemes in respect of 2 directors (2000: 4).

Highest paid director

	<i>December 2001</i> £	<i>December 2000</i> £
Emoluments	96,256	82,368
Company contributions to money purchase pension schemes	6,000	15,000
	<u>£ 102,256</u>	<u>£ 97,368</u>

9. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
<i>Cost</i>	
At 1st January 2001	409,923
Additions	-
Disposals	-
<i>At 31st December 2001</i>	<u>409,923</u>
<i>Amortisation</i>	
At 1st January 2001	248,391
Charge for the year	18,927
<i>At 31st December 2001</i>	<u>267,318</u>
<i>Net book values:</i>	
<i>At 31st December 2001</i>	<u>142,605</u>
At 1st January 2001	<u>161,532</u>

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

10. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Investment property</i>	<i>Freehold property</i>	<i>Leasehold property</i>	<i>Plant and equipment</i>	<i>Total</i>
<i>Cost</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1st January 2001	6,048,682	63,481	31,716	4,812,860	10,956,739
Additions	232,327	-	-	1,279,278	1,511,605
Disposals	-	-	-	(853,021)	(853,021)
Revaluation	113,969	-	-	-	113,969
	<u>6,394,978</u>	<u>63,481</u>	<u>31,716</u>	<u>5,239,117</u>	<u>11,729,292</u>
<i>Depreciation</i>					
At 1st January 2001	-	17,219	2,964	1,871,572	1,891,755
Charge for year	-	2,542	634	697,972	701,148
Written off on disposals	-	-	-	(524,709)	(524,709)
	<u>-</u>	<u>19,761</u>	<u>3,598</u>	<u>2,044,835</u>	<u>2,068,194</u>
<i>Net book values:</i>					
At 31st December 2001	<u>6,394,978</u>	<u>43,720</u>	<u>28,118</u>	<u>3,194,282</u>	<u>9,661,098</u>
At 1st January 2001	<u>5,945,647</u>	<u>149,297</u>	<u>28,752</u>	<u>2,941,287</u>	<u>9,064,983</u>
<i>Company</i>					<i>Investment property</i>
<i>Cost</i>					<i>£</i>
At 1st January 2001					61,290
Additions					<u>60,000</u>
<i>At 31st December 2001</i>					<u>121,290</u>

The investment properties are stated at open market value following a revaluation by the directors based on a valuation prepared by a company secretary of one of the subsidiary undertakings, Mr D Pearson, who is a Chartered Surveyor.

The net book value of plant and equipment includes £2,320,388 (2000: £2,136,615) in respect of assets held under finance leases and hire purchase contracts.

ESH HOLDINGS LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS**
*for the year ended 31st December 2001 (continued)***11. FIXED ASSET INVESTMENTS***Company**Subsidiary undertakings*

	<i>Shares</i> £	<i>Loans</i> £	<i>Total</i> £
At 1st January 2001	5,815,580	649,594	6,465,174
Additions	103,060	406	103,466
Value written off	-	-	-
<i>At 31st December 2001</i>	<u>5,918,640</u>	<u>650,000</u>	<u>6,568,640</u>

Details of investments in which the group or the company holds more than 10% of the nominal value of any class of share capital are as follows:

	<i>Country of registration</i>	<i>Holding</i>	<i>Nature of business</i>
Esh Developments Ltd	England & Wales	100%	Property letting
Lumsden & Carroll Construction Ltd	England & Wales	100%	Construction
Sones Maintenance & Environmental Ltd	England & Wales	100%	Industrial landscaping
Deerness Fencing Ltd	England & Wales	100%	Fencing contractor
W Heron (Durham) Ltd	England & Wales	100%	Dormant
Bartram Electrical Contractors Ltd	England & Wales	100%	Electrical contractor
Dunelm (Castle Homes) Ltd	England & Wales	100%	House building
Philadelphia Estates Ltd	England & Wales	voting 100% equity 30%	Property letting
Philadelphia Properties Ltd	England & Wales	voting 100% equity 30%	Property letting
Micropump (NE) Ltd	England & Wales	50%	Plant hire
Tursdale Business Park Ltd	England & Wales	40.6%	Property letting
N E Construction Training Ltd	England & Wales	100%	Training
Terry Robson Ltd	England & Wales	100%	Electrical contractor
Kwik Flow Cleansing Ltd	England & Wales	60%	Plant hire

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

12. STOCK AND WORK IN PROGRESS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
Raw materials	2,908,424	-	4,474,386	-
Work in progress	1,955,761	-	2,774,347	-
Finished goods and goods for resale	384,350	-	213,500	-
	<u>5,248,535</u>	<u>-</u>	<u>7,462,233</u>	<u>-</u>

13. DEBTORS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
<i>Amounts falling due within one year:</i>				
Trade debtors	4,126,548	52,271	5,294,883	-
Amounts due from subsidiary undertakings	-	1,367,652	-	865,000
Amounts due from related undertakings	192,021	-	38,865	-
Other debtors	1,262,076	142,967	1,311,855	96,580
Prepayments and accrued income	308,043	-	296,290	-
Corporation tax recoverable	76,908	22,816	3,662	-
	<u>5,965,596</u>	<u>1,585,706</u>	<u>6,945,555</u>	<u>961,580</u>

14. CURRENT ASSET INVESTMENTS*Group**Investment in non-consolidated subsidiaries at cost*

	<i>Shares</i>	<i>Loans</i>	<i>Total</i>
	£	£	£
At 1st January 2001	2	-	2
Additions	103,000	-	103,000
Disposals/repayments	-	-	-
<i>At 31st December 2001</i>	<u>103,002</u>	<u>-</u>	<u>103,002</u>

In accordance with FRS2, Micropump (NE) Limited and Terry Robson Limited have not been consolidated on the basis that they are not material in relation to the results for the year and the balance sheet of the group.

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

15. ANALYSIS OF CHANGES IN NET DEBT

	<i>At start</i> £	<i>Cashflow</i> £	<i>Disposals</i> £	<i>Additions</i> £	<i>At close</i> £
Cash	1,994,263	2,655,988			4,650,251
Overdrafts	(2,130,715)	145,866			(1,984,849)
	(136,452)	2,801,854			2,665,402
Short term loans	(165,054)	92,945	72,109	-	-
Long term loans	(7,914,550)	1,953,347	-	-	(5,961,203)
Hire purchase debt	(1,407,312)	978,471	-	(1,023,350)	(1,452,191)
	<u>(9,623,368)</u>	<u>5,826,617</u>	<u>72,109</u>	<u>(1,023,350)</u>	<u>(4,747,992)</u>

Reconciliation of net cash increase to movement in net debt

	<i>December 2001</i> £	<i>December 2000</i> £
<i>Net cash inflow/(outflow)</i>	(2,801,854)	600,214
Net cash inflow/(outflow) from increase/(decrease) in debt and hire purchase liabilities	<u>(3,024,763)</u>	<u>2,752,813</u>
<i>Changes in net debt arising from cash flows</i>	(5,826,617)	3,353,027
Decrease in loan (see notes 2)	(72,109)	(250,538)
Loans and hire purchase debt acquired with subsidiaries	-	-
Short term loan on acquisition of subsidiary	-	-
New hire purchase contracts	<u>1,023,350</u>	<u>1,021,879</u>
<i>Movement in net debt for the year</i>	(4,875,376)	4,124,368
Net debt at 1st January 2001	<u>9,623,368</u>	<u>5,499,000</u>
<i>Net debt at 31st December 2001</i>	<u><u>4,747,992</u></u>	<u><u>9,623,368</u></u>

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

16. CREDITORS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
<i>Amounts falling due within one year:</i>				
Bank loans and overdrafts	4,420,981	-	3,563,097	-
Trade creditors	2,687,349	24,001	2,571,016	-
Amounts owed to related undertakings	-	-	165,054	165,054
Current corporation tax	609,386	-	362,637	-
Other taxes and social security	542,876	1,500	347,751	1,219
Other creditors	233,144	-	219,266	-
Accruals and deferred income	2,267,302	32,842	2,096,660	6,000
Obligations under hire purchase	760,844	-	808,642	-
Dividends payable	432,277	432,277	386,713	386,713
Loans to subsidiary companies	-	-	-	55,741
	<u>11,954,159</u>	<u>490,620</u>	<u>10,520,836</u>	<u>614,727</u>

17. CREDITORS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
<i>Amounts falling due after more than one year:</i>				
Bank loans	2,582,442	-	5,732,637	-
Other loans	942,629	183,333	749,531	-
Obligations under hire purchase contracts	691,347	-	598,670	-
	<u>4,216,418</u>	<u>183,333</u>	<u>7,080,838</u>	<u>-</u>

18. LOANS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
Repayable within five years	5,713,509	-	6,656,493	-
Repayable after more than five years	247,694	-	1,258,057	-
	<u>5,961,203</u>	<u>-</u>	<u>7,914,550</u>	<u>-</u>

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

18. LOANS (CONTINUED)

The loans are repayable by instalments and interest is payable at a rate dependent on bank base rate. The loans are secured on assets of the group.

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Amounts repayable by instalments:				
- within five years	5,713,509	-	6,656,493	-
Included in creditors: amounts falling due within one year	-	-	1,432,382	-
	<u>5,713,509</u>	<u>-</u>	<u>5,224,111</u>	<u>-</u>

19. PROVISION FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>Not provided</i>		<i>Not provided</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Capital allowances in advance of depreciation	264,330	216,868	-	-
Losses not provided for	(20,791)	(107,811)	-	-
	<u>243,539</u>	<u>109,057</u>	<u>-</u>	<u>-</u>

No provision has been made for deferred taxation as the directors are of the opinion that such a liability is unlikely to crystallise.

20. SHARE CAPITAL

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Number</i>	<i>Value</i>	<i>Number</i>	<i>Value</i>
		<i>£</i>		<i>£</i>
Authorised				
Ordinary 1p voting shares	100,000	1,000	100,000	1,000
Ordinary 1p non-voting shares	735,000	7,350	735,000	7,350
14 per cent cumulative preference shares of £1 each	7,350,000	7,350,000	7,350,000	7,350,000
	<u>8,185,000</u>	<u>7,358,350</u>	<u>8,185,000</u>	<u>7,358,350</u>
Allotted, called up and fully paid				
Ordinary 1p voting shares	100,000	1,000	100,000	1,000
Ordinary 1p non-voting shares	656,742	6,567	618,742	6,187
14 per cent cumulative cumulative preference shares of	6,177,806	6,177,806	6,187,410	6,187,410
	<u>6,934,548</u>	<u>6,185,373</u>	<u>6,906,152</u>	<u>6,194,597</u>

ESH HOLDINGS LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS**
*for the year ended 31st December 2001 (continued)***20. SHARE CAPITAL (CONTINUED)**

During the year 9,604 £1 14% preference shares were purchased at par. 38,000 1p non voting shares were issued at 90p each, creating premium of 89p per share, or £33,820 in total.

The 12.5% preference shares were converted to 14% preference shares.

Rights of shareholders

Holders of the ordinary voting shares are entitled to one vote per share held. They are not entitled to any dividend or other distribution. In a winding up they hold priority with respect to the repayment of capital paid up but share no further participation in profits or assets.

Holders of the 14% cumulative preference shares are entitled to receive a fixed dividend of 14% per annum. In a winding up they are entitled to receive repayment of the capital paid up plus any arrears of unpaid dividend.

Holders of the ordinary non-voting shares are entitled to dividend or other distribution as may be voted discretionarily from time to time. In a winding up they are entitled to the balance of the surplus of assets after payment of the rights on the other shares.

21. REVALUATION RESERVE

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1st January 2001	55,344	-	36,309	-
Revaluation	46,731	-	19,035	-
At 31st December 2001	102,075	-	55,344	-

22. SHARE PREMIUM ACCOUNT

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1st January 2001	-	-	-	-
On shares issued in the year	33,820	33,820	-	-
At 31st December 2001	33,820	33,820	-	-

ESH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31st December 2001 (continued)

23. OTHER RESERVES

<i>Capital redemption reserve</i>	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1st January 2001	-	-	-	-
Purchase of own shares	9,604	9,604	-	-
<i>At 31st December 2001</i>	<u>9,604</u>	<u>9,604</u>	<u>-</u>	<u>-</u>

24. PROFIT AND LOSS ACCOUNT

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1st January 2001	926,160	1,562,138	131,403	101,472
Retained profit for the year	1,288,631	1,296,519	794,757	1,460,666
Purchase of own shares	(9,604)	(9,604)	-	-
<i>At 31st December 2001</i>	<u>2,205,187</u>	<u>2,849,053</u>	<u>926,160</u>	<u>1,562,138</u>

25. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Profit for the year after tax	2,021,973	1,883,481	1,158,911	1,850,848
Minority interests	(146,380)	-	26,028	-
Dividends	(586,962)	(586,962)	(390,182)	(390,182)
	<u>1,288,631</u>	<u>1,296,519</u>	<u>794,757</u>	<u>1,460,666</u>
Increase in investment revaluation reserve	46,731	-	19,035	-
Issue of share capital	34,200	34,200	74,069	74,069
Repurchase of share capital	(9,604)	(9,604)	(34,921)	(34,921)
<i>Net addition to shareholders funds in the year</i>	<u>1,359,958</u>	<u>1,321,115</u>	<u>852,940</u>	<u>1,499,814</u>
Opening shareholders' funds	7,176,101	7,756,735	6,323,161	6,256,921
<i>Closing shareholders' funds at 31st December 2001</i>	<u>8,536,059</u>	<u>9,077,850</u>	<u>7,176,101</u>	<u>7,756,735</u>
Equity interests	1,096,158	1,637,949	311,943	892,577
Non-equity interests	7,439,901	7,439,901	6,864,158	6,864,158
	<u>8,536,059</u>	<u>9,077,850</u>	<u>7,176,101</u>	<u>7,756,735</u>

ESH HOLDINGS LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS**
*for the year ended 31st December 2001 (continued)***26. OPERATING LEASES**

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<i>Annual commitments to operating leases which expire:</i>				
- within one year	-	-	-	-
- between two and five years	234,742	-	247,642	-
	<u>234,742</u>	<u>-</u>	<u>247,642</u>	<u>-</u>

27. CAPITAL COMMITMENTS

	<i>December 2001</i>		<i>December 2000</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Capital commitments contracted for at the balance sheet date	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

28. RELATED PARTY TRANSACTIONS*Company*

The company is not required to disclose transactions with related parties where there is a 90% relationship.

During the year £72,109 was written off the loan owing to Vestbrown Limited, a company in which Mr M F Hogan, who is a director of this company, has a substantial interest.

All transactions were undertaken on normal commercial terms.

Group

Included in current assets and current liabilities are the following amounts owed from/to related parties:

Current assets £1,452 due from Mr M F Hogan and £1,416 due from Mr B Manning who are both directors of this company.

During the year the group sold goods and services to the value of £55,193 to M F Hogan and £74,214 to B Manning and purchased goods and services to the value of £14,000 from M F Hogan.

29. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.