

**Esh Holdings Limited**

**Annual report and financial statements  
for the year ended 31 December 2021**

**Registered Number 03724890**

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**Esh Holdings Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2021**

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## **Esh Holdings Limited**

### **Chairman's report**

As expected, 2021 demonstrated a significant turnaround from the previous year's results, which were of course marred by the dramatic impact of the global COVID pandemic. And whilst our group continued to feel the aftershocks of the pandemic during the year; be that supply chain challenges or resource issues due to the ongoing need for people to isolate, the business delivered a remarkable improvement in profitability.

This improvement was underpinned by the cumulative efforts over the last four years to reposition the group to target resilient sectors of the construction industry which demonstrate long term stable fundamentals, as well as the implementation of a comprehensive business strategy targeting selected growth via niche channels to market.

Moreover, our efforts to simplify our balance sheet and yield liquidity from underperforming assets has led to the business being completely debt free for the first time in many years.

These remarkable feats could not have been achieved had it not been for the dedication and hard work of our talented team at Esh, as well as our incredibly loyal supply chains, valued customers and other critical stakeholders – Esh is one big team that extends beyond the confines of our business boundary. We are who we are due to the ingenuity and determination of a large group of people who believe that we only succeed if we all succeed – our gratitude, as always, goes out to all these groups, and we look forward to working with you all in the future as we drive forward for all of our benefit.



**Michael Hogan**  
Non-Executive Chairman

# Esh Holdings Limited

## Strategic report

The directors present their strategic report for the year ended 31 December 2021.

### Principal activities

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

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

### Overview

The Group entered 2021 in a strong position. Our order book was being maintained at record levels, we had further reduced our fixed cost base during 2020 to set up a lower break even point, and we had successfully pointed the business to segments of the market that were proving to be resilient, and through channels that demonstrate a much lower level of aggressive competitiveness.

Moreover, our balance sheet was significantly simpler following intensive work over the previous years to drive cash from under performing assets, as well as improve our working capital cycle, resulting in the highest level of liquidity seen for many years.

This solid foundation has been hugely beneficial, and provided the stability we needed to address some of the new headwinds we faced during 2021.

Of course, the global pandemic continued to exert its influence on our industry and business during the year. Our staff and those of our supply chains were required to adhere to Government guidance to isolate when exposed to the virus. This naturally led to a shortage of trades and labour on a number of our contracts, as well as limited material availability from our core suppliers. With added Brexit-related stresses, supply chain availability emerged as the key operational challenge through the early part of 2021, which inexorably led to a degree of contract delays and programme prolongations which have had a moderate impact on our results for the year.

Similarly, it was inevitable that a constrained supply chain would lead to higher input costs. Over the latter part of 2021, and continuing into 2022, we have witnessed cost inflation at levels and frequencies not seen in a generation. Our principal efforts to manage this situation were to try to achieve cost / price neutrality across as many of our revenue streams as possible. Thankfully, due to the type of client and contractual nature of our relationships, we were able to insulate a large part of the business from these increases :-

- A) Our private housing division, Homes by Esh, has been able to pass on all of its cost inflation through sales price increases, with sales price inflation outstripping overall cost inflation.
- B) A proportion of our contracts are of a 'cost plus' nature, allowing us to achieve immediate pass through of cost inflation.
- C) Our work to install infrastructure for Private House Builders are of relatively short duration, allowing new cost rates to be priced into new jobs, with only limited impact on contracts that are in flight.
- D) A reasonable proportion of our contracts have provision for cost fluctuation based upon agreed indices.

That said, our business was not fully immune to these cost increases, and a sizeable proportion of long term, JCT contracts have experienced significant cost inflation that could not be contractually passed on. Whilst we are working with our clients to seek some recovery or compensation for such extraordinary events, we will not be able to fully offset this impact, and as such, our results for the year have been affected.

## Esh Holdings Limited

### Strategic report (continued)

#### Overview (continued)

Whilst there remains little we can do about these 'in-flight' contracts, we have worked hard to protect ourselves from inflationary pressures on new contracts. Fixed price bidding is largely ended, with us working with clients to agree provisional sums for inflation or cost increase recovery mechanisms. Whilst ostensibly these measures have been accepted by clients, we are aware that a lack of cost certainty is challenging the viability of some schemes in our pipeline, which may lead to some projects being pushed back. To date, our experience of such delays has been limited, but we retain a healthy level of caution as future months unfold.

Compounding these supply chain and resource pressures were a small cluster of challenging contracts in our commercial building division. Whilst most of these contracts are now closed out, their impact upon our 2021 results were notable, albeit contained, with all liabilities now determined and accounted for.

However, whilst we undoubtedly faced some challenges during 2021, we also saw some record performances from several parts of our group:-

- A) Our General Civils division completed the group's largest contract to date, the £44m SSTC3 highways contract for Sunderland City Council – this contract contained a number of engineering challenges, but was delivered successfully, on time and on budget.
- B) Our Frameworks division, which includes the work we do for Northumbrian Water Group, continues to deliver an exceptional service, yielding growth in the volume and scope of works delivered in partnership with the global engineering giant, Stantec.
- C) With the backdrop of a very strong private housing market, our civils infrastructure division, working under the brand Lumsden and Carroll, achieved strong year on year growth in turnover from both existing and several new clients.
- D) Our social Housing Division, Esh Living, enjoyed considerable turnover growth, supported by its position on a number of key frameworks, as well as a near doubling of projects secured through our 'land led' channel to market. Both these routes to market provide a lower risk profile and stronger margin opportunities.

Whilst our group is now much simpler in structure and focus, our efforts to deliberately design a business model that allows the smoothing of positive and negative factors across our operations has paid dividends. In maintaining a balanced portfolio across complimentary sectors of the market, we have enjoyed one of the most significant periods of growth in our history. The result is a £8m improvement in underlying operating profit compared with 2020, from a £32m increase in turnover.

Moreover, our balance sheet is now debt free, with us not drawing upon any of our credit facilities at any time during the year. We ended the year with no debt, and cash of nearly £21m. Added to a £7m undrawn credit facility, we recorded the highest level of liquidity in recent memory.

I am incredibly proud of the team at Esh. Their resilience, commitment and ingenuity in dealing with the many challenges we have faced over the last four years as we worked to fundamentally reposition the group is nothing short of amazing. This, combined with our ever loyal a supportive supply chains, and 'blue chip' client base, provides the key ingredients for our success.

And whilst we continue to face headwinds, the strength and depth of our talent pool, combined with a business model that is working, gives us the confidence to drive forward with our strategic agenda.

## Esh Holdings Limited

### Strategic report (continued)

#### Strategy update

As with all good strategic plans, they remain relevant and current despite the emergence of unplanned challenges. Our strategic agenda is no different.

The Group Restructuring Programme is now complete, having divested our final non-core subsidiary, Deerness Fencing and Landscaping, in January 2022.

The Group is now organised into 3 core business units:

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

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

Our 7 point strategic plan remains focused on the following key areas:-

1. **Targeted growth**

By sticking to our core competencies, and within our confined geography, we will drive a modest growth in turnover, but with a firm grip on the risk/reward equation in tenders and land bids, will target continuous margin expansion. The key driver of this will be an increase in the proportion of revenues secured via 'land led', framework appointed and partnership-based contracts, with a target of 75% of all revenues secured via this route to market. We will also maintain a manageable balance of revenues from both cyclical and non-cyclical sectors, ensuring a reasonably consistent revenue stream throughout the economic cycle.

2. **Quality**

Deployed through industry leading quality systems and processes, we will maintain a relentless focus on operational quality control. We will target 'right first time', reducing remedial cost and so improve customer satisfaction to drive a higher proportion of repeat business. Maintenance of robust, reliable and high-quality supply chain partnerships will be a key component of this strategy

3. **Operational Efficiency**

By deploying tight bidding controls and contract due diligence, we will drive a controlled increase in the overall size and quality of our contracts, leveraging our operational infrastructure and scale to drive cost efficiency throughout our operations. Continuous improvement in programme management and quality control, along with an efficient back-office infrastructure utilising the latest technology will deliver a lean overall cost structure, underpinned by an optimum fixed cost base that supports a low break even point so as to avoid poor contract pricing behaviours.

4. **Capital efficiency and Financial Stewardship**

We will continue to focus on short-term working capital lock up across the business through effective management processes and careful selection of private development sites that permit a rapid cash cycle. We will ensure robust and effective financial controls that drive a deep understanding of our working capital profile and how cash behaves through the contract lifecycle, ensuring we have adequate liquidity to support operations as well as investment for growth. Any Shareholder distributions will be subject to thorough forward liquidity forecasts, and only when the board are comfortable that our liquidity requirements would not be compromised.

## Esh Holdings Limited

### Strategic report (continued)

#### 5. Social Value and Net Zero

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

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

Furthermore, we will commit to a long-range plan to achieve Net Zero carbon from our operations under all defined scopes. We will achieve this ambitious target through intensive collaboration with our client base and supply chains.

#### 6. Talent and Skills

We will focus on attracting and retaining the best talent we can find. Through active development, succession planning, talent management and reward processes, we will strive to be an employer of choice in our core market segments. Our organisation will be underpinned by a set of core values based on Care, Trust, Integrity, Respect, Teamwork and Accountability – Values that are congruent with a modern, forward thinking organisation that people want to be part of.

#### 7. Health, Safety and Environment

We will continue to focus on our industry leading health and safety agenda, utilising cutting edge processes and controls to embed a 'never relax' culture on all our sites. Our overarching ESH SAFE programme (**E**verybody **S**afely **H**ome) underpins a comprehensive communications system that ensures safe practices are at the heart of all we do. We will also play our part towards 'net zero' through the application of low carbon materials, solutions and processes in our bids and projects, whilst continuing to seek low carbon opportunities in all of our operations, which includes a new Hybrid working pattern, allowing flexibility on work locations thereby reducing our carbon emissions through lower levels of commuting.

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

## **Esh Holdings Limited**

### **Strategic report (continued)**

#### **The Market**

At the time of writing, considerable uncertainties have emerged in the global and domestic market environment, with rampant cost inflation, limited supply chain availability and both fiscal and monetary policy dynamics fuelling a palpable level of uncertainty,

However, by design, we have pointed the business to segments of the market that have and continue to demonstrate the following characteristics :-

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

And so, despite the aforementioned uncertainties, our chosen market segments continue to demonstrate these desired characteristics, which can be summarised as follows :-

#### **Utilities**

Our Utilities and associated Environmental clients remain committed to major investment in maintaining and upgrading their networks and facilities. With the current AMP programme nearing completion, there remains a large amount of pent up demand from this sector that needs to be satisfied. Through our strategic partnership with global engineering giant Stantec, we remain well placed to benefit from this demand over the next few years.

#### **Local Authorities**

Our Local Authority clients continue to present a strong pipeline of projects covering both infrastructure and general construction. Whilst their capital budgets are no doubt bearing the strain of considerable cost inflation, agendas such as 'levelling up' look set to underpin strong demand from this sector. Our position on key procurement frameworks will position the business to enjoy a healthy level of participation in this segment.

#### **Private Housing**

At the time of writing, the private housing market continues to demonstrate strong demand, with pricing and sales volumes holding at near record highs. It would be foolish, however, to ignore the macro economic and monetary policy factors that are rapidly taking hold. With an unavoidable cost of living crisis looming, fuelled in the main by unprecedented rises in energy, fuel and food costs, combined with tightening monetary policy pushing up the cost of borrowing, there is a wide expectation that the Private Housing market will cool over the latter part of 2022 and into 2023. Whilst our revenues are now less exposed to this market segment than was previously, we have contingency plans in place to manage any downturn that may arise. Furthermore, our balance sheet has very little exposure to any down valuations due to a limited forward land bank, constrained by our self-imposed capital limits. Longer term, however, the country remains chronically short of new housing stock, which provides for strong demand and price fundamentals as we emerge from whatever short-term challenges arise,



## Esh Holdings Limited

### Strategic report (continued)

#### Affordable Housing

The chronic shortage of housing stock is also a key factor that underpins the considerable demand for new build affordable homes. With a new round of Government funding announced, combined with the significant amount of private placement capital funding secured by the large registered providers, we continue to expect a strong pipeline of projects across both the North East and Yorkshire. With our preferred route to market being via 'land led' channels, we expect to see our revenues demonstrate a diluted risk profile as well as further margin expansion. Whilst cost inflation pressures are challenging the viability of some schemes, particularly where land value expectations are inflated, our efficient delivery model, combined with robust supply chains should satisfy the necessary economics to support viability.

Alongside the demand for new construction, there is now a clear growth in the demand for existing stock refurbishment and retrofit of green energy solutions. Whilst some of these requirements still need to be defined and matched with supply chain capabilities, our long held pedigree in affordable housing maintenance will position us well to take advantage of these growing market segments.

#### Other Market Factors

Whilst our business model is pointed to robust segments of the market that are demonstrating strong demand characteristics, as discussed, our group is not immune from the supply side constraints that are prevalent across the whole economy. Whilst we have worked hard to mitigate the impact of these challenges, they have inevitably had some impact on our financial performance during 2021 and into 2022. Fortunately, our mix of revenue, and strong underlying margins have sustained a commendable level of profitability, which we expect to continue through 2022.

And whilst geopolitical events will continue to exert unwelcomed influence over the domestic and global economy, we will ensure we focus on the things that *we can control* by executing on our strategic plan, and ensuring we maintain a flexible and agile operating model that can be adjusted to suit whatever trading conditions prevail.

#### Key performance indicators

|                                                             | 2021    | 2020<br>(Restated) |
|-------------------------------------------------------------|---------|--------------------|
| Turnover, including share of joint ventures                 | £278.0m | £236.0m            |
| Change in turnover                                          | 17.3%   | 11.0%              |
| Gross profit margin                                         | 6.7%    | 4.9%               |
| Operating profit                                            | £3.9m   | (£4.2m)            |
| Profit before taxation attributable to owners of the parent | £3.0m   | (£5.9m)            |
| Cash at bank and in hand                                    | £20.8m  | £15.4m             |
| Net cash (used in)/ generated from operating activities     | £6.6m   | £4.7m              |

## **Esh Holdings Limited**

### **Strategic report (continued)**

#### **Business Review**

The business reported an operating profit (before exceptional items) of £4.0m. This represents a £8m turnaround from the previous year, which was of course heavily impacted by COVID lock downs. Whilst the global pandemic continued to exert pressure on the business during the year, these pressures transitioned from operational difficulties to supply chain constraints and elevated levels of input cost inflation. Although the acceleration of these issues was seen running through the second half of 2021 and into 2022, given the nature of long-term contract accounting, the full life impact on contracts required us to make adjustments to cumulative margins recorded through 2021. Moreover, we encountered some operational challenges on a small cluster of aforementioned Commercial Build contracts, which provided a further drag on profitability.

A profit before tax of £3.0m is after recording fixed interest costs associated with our group wide credit facility and finance costs related to our Private Housing business, Homes by Esh. This represents an £8.9m improvement over the previous year.

In addition to the considerable improvements in profitability, there has also been a significant improvement in the balance sheet. As the management team continued to focus on driving maximum capital efficiency, the group ended the year with cash of £21m and zero debt. The group's £9.2m revolving credit line remained undrawn at all times during the year. This is the highest level of liquidity the group has carried in recent memory, and in the interest of clarity, the group has not at any time taken advantage of any of the government backed COVID recovery credit lines.

#### **Future Developments - Financial Year 2022 Outlook**

With the ongoing challenges associated with COVID showing signs of dissipating, our financial year 2022 looks set to be dominated by ongoing supply chain constraints and further input cost inflation. The group has worked hard to use its strong supply chain relationships to mitigate these issues, and has engaged in encouraging dialogue with a broad range of empathic clients who appear willing to agree to contract value uplifts outside of the scope of the original contracts.

Fortunately, our work to shift the price basis of new contracts away from any formal fixed price element, as well as our strategic shift away from high risk and complex single stage design and build projects is yielding a much more protected and insulated forward order book.

With work continuing to complete the residue of the challenging commercial build contracts during the year, of nearly all will be complete during 2022, we maintain our expectation for further margin expansion in the second half of 2022 and again into 2023, underpinned by the maintenance of a record secured and probable order book standing in excess of £500m for 2022 and 2023.

Furthermore, we continue to maintain solid levels of liquidity, which has permitted further investment in land for our Homes by Esh business, as well as over £1.3m in replacement plant and machinery, a reasonable proportion of which is targeted at developing adjacent services for our utilities clients, operating under the brand name of Esh Drainage Solutions.

All these factors provide a solid backdrop for engaging with various credit providers to seek a simpler banking facility towards the latter part of 2022, with strong appetite demonstrated from both our existing, and new credit providers.

## Esh Holdings Limited

### Strategic report (continued)

#### Principal risks and uncertainties

The construction industry is exposed to numerous risks and challenges, with the added dimension of the after effects of the global pandemic and the considerable pressures from supply chain constraints and input cost inflation. The management team remains vigilant to these risks and challenges, and will continue to adapt the organisation to the environments within which it operates.

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

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

| Risk description                                                                                                                                                                                                                                                                                                                                                                                                       | How it is mitigated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Project execution</b>                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>The Group undertakes construction, refurbishment and maintenance projects. We need to continue to deliver these within programmes and match or exceed clients' requirements, profitably and within agreed financial parameters.</p> <p>Successful delivery of many of these projects depends on the successful implementation and maintenance of a range of operational and commercial procedures and controls.</p> | <p>Each business unit has defined operating procedures to address the risks inherent in project delivery. Furthermore, a well-established commercial and financial risk management framework is in operation, using structured review meetings and reporting, with key risks identified early in the project delivery.</p> <p>We also have public indemnity cover to provide further safeguards.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Tendering</b>                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>Through our different business units, we seek to win profitable work through a large number of competitive tenders and contract negotiations.</p> <p>This depends on our ability to price and add value in our tender offering, driven by an efficient operating model, and a clear focus on quality delivery and added value.</p>                                                                                  | <p>All bids are subject to proven, rigorous estimating and tendering processes within a defined framework, using skilled resources.</p> <p>We have delegated authority levels for approving all tenders and a formal tender review process.</p> <p>We undertake reviews following both successful and unsuccessful tenders to ensure we learn from them and apply those lessons to future tenders.</p> <p>Our culture of adding value within the communities in which we work provides a point of differentiation from many of our competitors, producing upper quartile tender success rates.</p> <p>The group has also increased the amount of turnover that is secured via 'land led', directly negotiated or two-stage tender routes, which significantly reduces the risks and challenges associated with pure competitively tendered projects.</p> <p>Furthermore, the group has all but eliminated fixed price tendering, offering clients provisional sums or pre-determined cost increase mechanisms to ensure future revenues are insulated as far as possible from the effects and volatility of input cost inflation.</p> |

## Esh Holdings Limited

### Strategic report (continued)

#### Principal risks and uncertainties (continued)

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

## Esh Holdings Limited

### Strategic report (continued)

#### Principal risks and uncertainties (continued)

| Risk description                                                                                                                                                                                                                                                                                                       | How it is mitigated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Regulatory, market and economic</b>                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| The Group operates in markets and segments that are influenced by a range of external factors. The resilience and performance of the construction sector, and the housing market in particular, is at risk from regulatory change, political change and the impact of monetary policy and financial system regulation. | The Group maintains a diversified portfolio of operating activities, some of which behave in a counter cyclical manner, and most of which are aligned to well-funded, blue chip client bases.<br>The housing market remains stable, but continues to be underpinned by favourable political support and, until recently, monetary policy. A notable shift in consumer confidence, combined with tightening monetary policy looks set to exert headwinds on this market segment over the coming months. The management team have well developed contingency plans to execute organisational changes to adapt to such challenges as they may arise. |
| <b>Business process and IT systems</b>                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| To continue to expand the business, Esh Group acknowledge that information and associated technology must be robust and meet business needs.                                                                                                                                                                           | The group has recently made significant investments in technology that has brought together a number of disparate processes, as well as driving greater use of digital tools to make the entire 'order to cash' process more integrated. This investment is expected to provide a sufficient operating platform for the group to achieve its business objectives.                                                                                                                                                                                                                                                                                 |
| <b>Business is Curtailed by COVID 19</b>                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| The after effects of the COVID 19 pandemic continue to exert operational challenges on the group.                                                                                                                                                                                                                      | Whilst most, if not all of the impact of COVID lockdowns have dissipated, the after effects of the pandemic can still be felt in supply chain challenges, with efforts to mitigate discussed previously.<br>Although self-isolation is still recommended for employees testing positive, the declining rate of positive tests, combined with a high level of vaccination amongst our employees, is limiting the impact on operations to an almost negligible level.                                                                                                                                                                               |

## Esh Holdings Limited

### Strategic report (continued)

#### Streamlined Energy and Carbon Reporting (SECR) disclosure

##### Quantification and reporting methodology:

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

##### Operational scopes:

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

|                                                                                           | Current year    | Previous year   |
|-------------------------------------------------------------------------------------------|-----------------|-----------------|
| UK Greenhouse gas emissions and energy use data for the period 1st January to 31 December | 2021            | 2020            |
| Energy consumption used to calculate emissions (kWh)                                      | 35,046,764      | 31,270,898      |
| Energy consumption breakdown (kWh):                                                       |                 |                 |
| • gas                                                                                     | 293,095         | 241,193         |
| • electricity                                                                             | 251,467         | 237,217         |
| • wood burning                                                                            | 0               | 0               |
| • purchased fuel                                                                          | 34,474,894      | 30,685,993      |
| SCOPE 1 emissions in metric tonnes CO2e                                                   |                 |                 |
| Gas consumption                                                                           | 53.68           | 44.35           |
| Purchased fuel - diesel, petrol & gas oil                                                 | 8,965.09        | 8,005.13        |
| Wood burning                                                                              | 0               | 0               |
| <b>Total Scope 1</b>                                                                      | <b>9,018.77</b> | <b>8,049.48</b> |
| SCOPE 2 emissions in metric tonnes CO2e                                                   |                 |                 |
| Purchased electricity                                                                     | 53.39           | 55.30           |
| <b>Total Scope 2</b>                                                                      | <b>53.39</b>    | <b>55.30</b>    |
| SCOPE 3 emissions in metric tonnes CO2e                                                   |                 |                 |
| Business Travel in employee owned vehicles                                                | 36.25           | 27.82           |
| <b>Total Scope 3</b>                                                                      | <b>36.25</b>    | <b>27.82</b>    |
| <b>Total gross emissions in metric tonnes CO2e</b>                                        | <b>9,108.41</b> | <b>8,132.60</b> |
| Intensity ration Tonnes per employee                                                      | 12.90           | 10.59           |

##### Intensity measurement:

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

##### Change to prior year disclosure:

The Group has disposed of its shares in Deerness Fencing, as such the emissions data relating to that company have been removed from those above, and the comparative year, to provide the information for the continuing activities.

##### Growth in emissions in 2021:

The growth in the emissions in 2021 reflects the return to normal working following the reduced activities in 2020 due to the periods of lockdown as a result of the Coronavirus.

## Esh Holdings Limited

### Strategic report (continued)

#### Measures taken to improve energy efficiency:

Objectives and measures as follows:

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

#### Renewable electricity generated from owned or controlled sources:

In 2021 we generated 31,682 (2020: 33,340) kWh of electricity from the PV panels on Esh House, Bowburn.

#### Standards held in relation to energy & environmental:

The Group currently hold the accreditations: ISO 50001:2018 and ISO 14001:2015.

A E Radcliffe.

Director

## **Esh Holdings Limited**

### **Corporate Governance**

#### **Esh Group Guiding Principles**

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

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

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

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

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

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

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

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

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

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



## **Esh Holdings Limited**

### **Corporate Governance (continued)**

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

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

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

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

#### Employment Policies and Procedures

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

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

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

#### Ethical Governance Approach

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

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

#### Health and Safety Policy and Procedures

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

## **Esh Holdings Limited**

### **Corporate Governance (continued)**

#### **Health and Safety Policy and Procedures (continued)**

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

## **Esh Holdings Limited**

### **Directors and advisors**

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

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

**Andy Radcliffe | Group Chief Executive Officer | Tenure: 12-years**

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

**Stephen Wilkie | Executive Director | Tenure: 34-years**

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

**Phil Brown | Executive Director | Tenure: 16-years**

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

**Tony Carroll Jnr | Non-Executive Director | Tenure: 29-years**

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

**John Lumsden Jnr | Non-Executive Director | Tenure: 30-years**

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

## **Esh Holdings Limited**

### **Directors and advisors (continued)**

#### **Philip Coates, Non-Executive Director**

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

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

#### **Trading Name**

Esh Group is a trading name of Esh Holdings Limited.

#### **Company secretary of Esh Holdings Limited**

A Law (Appointed 31 January 2021)

M Sowerby (Resigned 31 January 2021)

#### **Independent auditors**

PricewaterhouseCoopers LLP

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

#### **Legal advisors**

Muckle LLP

Time Central

32 Gallowgate

Newcastle upon Tyne

NE1 8AS

Swinburne Maddison LLP

Venture House

Aykley Heads Business Centre

Durham

DH1 5TS

#### **Bankers**

Lloyds Bank plc

4th Floor

102, Grey Street

Newcastle upon Tyne

NE1 6AG

Nucleus Commercial Finance Limited

Mezzanine Floor, St Albans House

57-59 Haymarket

London

SW1Y 4QX

## **Esh Holdings Limited**

### **Directors' report**

The directors present their directors' report and audited consolidated financial statements for the year ended 31 December 2021.

#### **Principal activities**

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

#### **Financial instruments**

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

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

#### *Interest rate risk*

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

#### *Liquidity risk*

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

At 31 December 2021, the Group had cash at bank and in hand of £20.8m, which is expected to be more than sufficient to fund the working capital needs for the Group.

#### *Credit risk*

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

#### **Paid dividends**

£nil dividends were paid in the year (2020 £nil).

#### **Share capital**

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

## **Esh Holdings Limited**

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

#### **Directors**

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

A J Carroll Snr.  
P J Brown  
M F Hogan  
J G Lumsden Jnr.  
A E Radcliffe  
M A Sowerby (Resigned 31 January 2021)  
P G Watson (Resigned 31 May 2022)  
S T Wilkie

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

#### **Employees**

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

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

#### **Political contributions**

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

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

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

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

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

## Esh Holdings Limited

### Directors' report (continued)

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

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

#### Section 172 (1) statement

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

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

#### Disclosure of information to auditors

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

#### Future developments

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

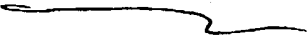
## **Esh Holdings Limited**

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

#### **Independent auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

Signed on behalf of the Board



A E Radcliffe  
Director  
29 September 2022

Esh House  
Bowburn North Industrial Estate  
Bowburn  
Durham  
DH6 5PF



## **Esh Holdings Limited**

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

## **Report on the audit of the financial statements**

### **Opinion**

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Consolidated and Company balance sheets as at 31 December 2021; Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity and the Consolidated statement of cash flows for the year then ended; the Statement of accounting policies; and the notes to the financial statements.

### **Basis for opinion**

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

### **Independence**

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

### **Conclusions relating to going concern**

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

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

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

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

### **Reporting on other information**

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

## **Esh Holdings Limited**

# **Independent auditors' report to the directors of Esh Holdings Limited (continued)**

### **Reporting on other information (continued)**

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

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

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

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

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

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

#### **Auditors' responsibilities for the audit of the financial statements**

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

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

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

## Esh Holdings Limited

# Independent auditors' report to the directors of Esh Holdings Limited (continued)

### Auditors' responsibilities for the audit of the financial statements (continued)

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation;
- Challenging assumptions and judgements made by management in their significant accounting estimates and forecasts;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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

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

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
29 September 2022

## Esh Holdings Limited

### Consolidated statement of comprehensive income for the year ended 31 December 2021

|                                                                                  | Note | 2021<br>£'000 | 2020<br>(Restated)<br>£'000 |
|----------------------------------------------------------------------------------|------|---------------|-----------------------------|
| <b>Turnover</b>                                                                  |      |               |                             |
| Group and share of joint ventures                                                |      | 277,987       | 236,801                     |
| Less:                                                                            |      |               |                             |
| Share of joint ventures' turnover                                                |      | (23,085)      | (14,216)                    |
| <b>Group turnover</b>                                                            | 1    | 254,902       | 222,585                     |
| Cost of sales                                                                    |      | (237,731)     | (211,480)                   |
| <b>Gross profit/(loss)</b>                                                       |      | 17,171        | 11,105                      |
| Administrative expenses before exceptional items                                 |      | (15,555)      | (18,094)                    |
| Exceptional administrative expenses                                              |      | (99)          | (216)                       |
| <b>Total administrative expenses</b>                                             |      | (15,654)      | (18,310)                    |
| Share of operating profit in joint ventures                                      |      | 2,360         | 409                         |
| Other operating income                                                           |      | -             | 2,564                       |
| <b>Operating profit/(loss) before exceptional items</b>                          |      | 3,976         | (4,016)                     |
| Operating profit/(loss) after exceptional items                                  | 2    | 3,877         | (4,232)                     |
| (Loss)/profit on sale of fixed assets                                            |      | 117           | 5                           |
| Loss on sale of investments                                                      |      | (33)          | (511)                       |
| Interest receivable and similar income                                           | 5    | 15            | 7                           |
| Interest payable and similar expenses                                            | 6    | (953)         | (1,145)                     |
| <b>Profit/(loss) before taxation</b>                                             |      | 3,023         | (5,876)                     |
| Add back loss attributable to minority interest                                  |      | 21            | (4)                         |
| <b>Profit/(loss) before taxation attributable to owners of the parent</b>        |      | 3,044         | (5,880)                     |
| Tax on profit/(loss) attributable to owners of the parent                        | 7    | 283           | 1,303                       |
| <b>Profit/(loss) for the financial year attributable to owners of the parent</b> |      | 3,327         | (4,577)                     |

Comparative figures have been restated to correct classification between CoS and Admin Expenses, with Cost of Sales decreasing by £5,845,000 and Admin Expenses increasing by £5,845,000. There is therefore no change to Operating Profit, and no effect on the Balance Sheet

## Esh Holdings Limited

### Consolidated balance sheet as at 31 December 2021

|                                                           | Note | 2021<br>£'000 | 2020<br>£'000 |
|-----------------------------------------------------------|------|---------------|---------------|
| <b>Fixed assets</b>                                       |      |               |               |
| Intangible assets                                         | 9    | -             | -             |
| Tangible assets                                           | 10   | 9,075         | 9,590         |
| Investment properties                                     | 11   | 387           | 387           |
| Investments                                               | 12   |               |               |
| Investments in joint ventures and participating interests |      | 551           | 315           |
| Loans to joint ventures and participating interests       |      | 10,422        | 8,867         |
|                                                           |      | <b>10,973</b> | <b>9,182</b>  |
|                                                           |      | <b>20,435</b> | <b>19,159</b> |
| <b>Current assets</b>                                     |      |               |               |
| Stocks                                                    | 13   | 812           | 3,545         |
| Debtors: amounts falling due within one year              | 14   | 49,231        | 45,759        |
| Cash at bank and in hand                                  |      | 20,750        | 15,365        |
|                                                           |      | <b>70,793</b> | <b>64,669</b> |
| Creditors: amounts falling due within one year            | 15   | (59,371)      | (54,317)      |
| <b>Net current assets</b>                                 |      | <b>11,422</b> | <b>10,352</b> |
| <b>Total assets less current liabilities</b>              |      | <b>31,857</b> | <b>29,511</b> |
| Creditors: amounts falling due after more than one year   | 16   | -             | (960)         |
| Provisions for liabilities                                | 17   | -             | -             |
| <b>Net assets</b>                                         |      | <b>31,857</b> | <b>28,551</b> |
| <b>Capital and reserves</b>                               |      |               |               |
| Called up share capital                                   | 19   | 22,256        | 22,256        |
| Share premium account                                     |      | 29            | 29            |
| Employment benefit trust reserve                          | 19   | (641)         | (641)         |
| Retained earnings                                         |      | 10,213        | 6,886         |
| <b>Total shareholders' funds</b>                          |      | <b>31,857</b> | <b>28,530</b> |
| Minority interests                                        | 20   | -             | 21            |
| <b>Capital employed</b>                                   |      | <b>31,857</b> | <b>28,551</b> |

The financial statements on pages 26 to 66 were approved by the board of directors on 29 September 2022 and were signed on its behalf by:

  
A E Radcliffe

Director

Company registered number: 03724890

## Esh Holdings Limited

### Company balance sheet as at 31 December 2021

|                                                         | Note | 2021<br>£'000  | 2020<br>£'000 |
|---------------------------------------------------------|------|----------------|---------------|
| <b>Fixed assets</b>                                     |      |                |               |
| Intangible assets                                       | 9    |                |               |
| Tangible assets                                         | 10   | 6,629          | 6,689         |
| Investment properties                                   | 11   | 387            | 387           |
| Investments                                             | 12   | 6,441          | 6,274         |
|                                                         |      | <b>13,457</b>  | <b>13,350</b> |
| <b>Current assets</b>                                   |      |                |               |
| Debtors: amounts falling due within one year            | 14   | 24,784         | 25,938        |
| Cash at bank and in hand                                |      | 48             | 790           |
|                                                         |      | <b>24,832</b>  | <b>26,728</b> |
| Creditors: amounts falling due within one year          | 15   | (17,958)       | (19,235)      |
| <b>Net current assets</b>                               |      | <b>6,874</b>   | <b>7,493</b>  |
| <b>Total assets less current liabilities</b>            |      | <b>20,331</b>  | <b>20,843</b> |
| Creditors: amounts falling due after more than one year | 16   | -              | -             |
| Provisions for liabilities                              | 17   | -              | -             |
| <b>Net assets</b>                                       |      | <b>20,331</b>  | <b>20,843</b> |
| <b>Capital and reserves</b>                             |      |                |               |
| Called up share capital                                 | 19   | 22,256         | 22,256        |
| Share premium account                                   |      | 29             | 29            |
| Employment benefit trust reserve                        | 19   | (641)          | (641)         |
| Retained earnings/(accumulated loss)                    |      |                |               |
| At 1 January                                            |      | (801)          | 412           |
| Profit/(loss) for the year                              |      | (512)          | (1,213)       |
| Other changes in retained earnings/(accumulated loss)   |      | -              | -             |
| At 31 December                                          |      | <b>(1,313)</b> | <b>(801)</b>  |
| <b>Total Shareholders' Funds</b>                        |      | <b>20,331</b>  | <b>20,843</b> |

The financial statements on pages 26 to 66 were approved by the board of directors on 29 September 2022 and were signed on its behalf by:

A E Radcliffe  
Director

Company registered number: 03724890

## Esh Holdings Limited

### Consolidated statement of changes in equity for the year ended 31 December 2021

|                                                     | Called<br>up share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Employment<br>benefit trust<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>shareholders'<br>funds<br>£'000 |
|-----------------------------------------------------|----------------------------------------|--------------------------------------|-------------------------------------------------|-------------------------------|------------------------------------------|
| <b>Balance at 1 January 2020</b>                    | 22,256                                 | 29                                   | (641)                                           | 11,463                        | 33,107                                   |
| Loss for the financial year                         | -                                      | -                                    | -                                               | (4,577)                       | (4,577)                                  |
| Other comprehensive income                          | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Total comprehensive expense<br/>for the year</b> | -                                      | -                                    | -                                               | (4,577)                       | (4,577)                                  |
| Share issuance                                      | -                                      | -                                    | -                                               | -                             | -                                        |
| Transfer from minority interest                     | -                                      | -                                    | -                                               | -                             | -                                        |
| Dividend on shares                                  | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Balance at 31 December 2020</b>                  | 22,256                                 | 29                                   | (641)                                           | 6,886                         | 28,530                                   |
| Profit/(loss) for the financial<br>year             | -                                      | -                                    | -                                               | 3,327                         | 3,327                                    |
| Other comprehensive income                          | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Total comprehensive expense<br/>for the year</b> | -                                      | -                                    | -                                               | 3,327                         | 3,327                                    |
| Share issuance                                      | -                                      | -                                    | -                                               | -                             | -                                        |
| Transfer from minority interest                     | -                                      | -                                    | -                                               | -                             | -                                        |
| Dividend on shares                                  | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Balance at 31 December 2021</b>                  | 22,256                                 | 29                                   | (641)                                           | 10,213                        | 31,857                                   |

## Esh Holdings Limited

### Company statement of changes in equity for the year ended 31 December 2021

|                                                | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Employment<br>benefit trust<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>shareholders'<br>funds<br>£'000 |
|------------------------------------------------|----------------------------------------|--------------------------------------|-------------------------------------------------|-------------------------------|------------------------------------------|
| <b>Balance at 1 January 2020</b>               | 22,256                                 | 29                                   | (641)                                           | 412                           | 22,056                                   |
| Profit for the financial year                  | -                                      | -                                    | -                                               | (1,213)                       | (1,213)                                  |
| Other comprehensive income                     | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Total comprehensive income for the year</b> | -                                      | -                                    | -                                               | (1,213)                       | (1,213)                                  |
| Share issuance                                 | -                                      | -                                    | -                                               | -                             | -                                        |
| Dividend on shares                             | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Balance at 31 December 2020</b>             | 22,256                                 | 29                                   | (641)                                           | (801)                         | 20,843                                   |
| Loss for the financial year                    | -                                      | -                                    | -                                               | (512)                         | (512)                                    |
| Other comprehensive income                     | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Total comprehensive income for the year</b> | -                                      | -                                    | -                                               | (512)                         | (512)                                    |
| Share issuance                                 | -                                      | -                                    | -                                               | -                             | -                                        |
| Dividend on shares                             | -                                      | -                                    | -                                               | -                             | -                                        |
| <b>Balance at 31 December 2021</b>             | 22,256                                 | 29                                   | (641)                                           | (1,313)                       | 20,331                                   |



## Esh Holdings Limited

### Consolidated statement of cash flows for the year ended 31 December 2021

|                                                                | Note | 2021<br>£'000  | 2020<br>£'000  |
|----------------------------------------------------------------|------|----------------|----------------|
| <b>Cash generated from operating activities</b>                | 21   | <b>6,605</b>   | <b>4,743</b>   |
| Taxation received                                              |      | (60)           | 665            |
| <b>Net cash generated from operating activities</b>            |      | <b>6,545</b>   | <b>5,408</b>   |
| <b>Cash flow from investing activities</b>                     |      |                |                |
| Purchase of tangible assets                                    |      | (547)          | (125)          |
| Purchase of intangible assets                                  |      | -              | -              |
| Proceeds from disposals of tangible assets                     |      | 252            | 74             |
| Sale/(purchase) of investment property                         |      | -              | -              |
| Sale of EBT shares                                             |      | -              | -              |
| Interest received                                              |      | 15             | 5              |
| Dividends received                                             |      | 1,329          | 200            |
| <b>Net cash (used in)/ generated from investing activities</b> |      | <b>1,049</b>   | <b>154</b>     |
| <b>Cash flow from financing activities</b>                     |      |                |                |
| Repayment of obligations under finance leases                  |      | -              | -              |
| Repayment of bank borrowings/debt capitalisation               |      | (1,450)        | (4,642)        |
| Dividends paid                                                 |      | -              | -              |
| Movement in minority Interests                                 |      | -              | -              |
| Interest paid                                                  |      | (759)          | (815)          |
| Share issuance                                                 |      | -              | -              |
| <b>Net cash used in financing activities</b>                   |      | <b>(2,209)</b> | <b>(5,457)</b> |
| <b>Net decrease in cash at bank and in hand</b>                |      | <b>5,385</b>   | <b>105</b>     |
| Cash and cash equivalents at the beginning of the year         |      | 15,365         | 15,260         |
| <b>Cash and cash equivalents at the end of the year</b>        |      | <b>20,750</b>  | <b>15,365</b>  |

## **Esh Holdings Limited**

### **Statement of accounting policies**

#### **General information**

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

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

#### **Statement of compliance**

The Group and individual financial statements of Esh Holdings Limited have been prepared in compliance with the applicable United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **Summary of significant accounting policies**

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

#### **Basis of preparation**

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

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

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

#### **Going concern**

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

The Group's continuing operations achieved EBITDA of £4.8m and closing net assets were £31.9m.

The group trades with a large number of customers and suppliers across a number of sectors and expects to meet day to day working capital requirements through existing considerable cash reserves, which totalled £20.8m (2020: £15.4m). The Group also has access to a £9.2m loan facility which is secured against assets within the business and which can be drawn down against the outstanding client applications and sales invoices of Esh Construction Limited and Deerness Fencing & Landscaping Limited.

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

## Esh Holdings Limited

### Statement of accounting policies (continued)

#### **Basis of consolidation**

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

#### *(i) Subsidiaries*

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

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

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

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

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

#### *(ii) Joint arrangements*

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

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

#### *(iii) Associates*

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

## **Esh Holdings Limited**

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

#### **Equity method of accounting**

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

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

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

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

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

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

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

#### **Exemptions for qualifying entities under FRS 102**

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

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

- (i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- (ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- (iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the year as required by paragraph 4.12(a)(iv) of FRS 102; and
- (iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

## Esh Holdings Limited

### Statement of accounting policies (continued)

#### Foreign Currency

(i) *Functional and presentation currency*

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

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

(ii) *Transactions and balances*

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

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

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

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

(iii) *Translation*

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

#### Turnover

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

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

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

(a) *Long-short term contracts*

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

## **Esh Holdings Limited**

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

#### **Turnover (continued)**

*(b) Property sales*

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

*(c) Supply of service*

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

#### **Government grants**

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

#### **Employee benefits**

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

*(i) Short term benefits*

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

*(ii) Defined contribution pension plans*

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

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

#### **Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

*(i) Current tax*

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

## **Esh Holdings Limited**

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

#### **Taxation (continued)**

##### **(ii) *Deferred tax***

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

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

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

#### **Business combinations and goodwill**

Business combinations are accounted for by applying the purchase method.

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

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

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

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

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

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

## **Esh Holdings Limited**

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

#### **Business combinations and goodwill (continued)**

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

#### **Investments**

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

#### **Tangible assets and depreciation**

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

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

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

No depreciation is provided on freehold land.

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

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

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

#### **Investment properties**

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

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



## **Esh Holdings Limited**

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

#### **Investment properties (continued)**

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

#### **Impairment of non-financial assets**

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

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

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

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

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

#### **Leases**

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

##### **(i) Finance lease**

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

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

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

## **Esh Holdings Limited**

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

#### **Leases (continued)**

*(i) Finance lease (continued)*

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

*(ii) Operating lease*

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

*(iii) Lease incentives*

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

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

#### **Stocks**

*Housebuilding stocks and work in progress*

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

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

*Other stocks*

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

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

#### **Cash and cash equivalents**

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

## **Esh Holdings Limited**

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

#### **Provisions and contingencies**

##### **(i) Provisions**

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

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

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

##### **(ii) Contingencies**

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

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

#### **Long term contracts**

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

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

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

## Esh Holdings Limited

### Statement of accounting policies (continued)

#### Financial instruments

##### *Classification of financial instruments issued by the company*

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

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

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

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

##### *(i) Financial assets*

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

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

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

##### *(ii) Financial liabilities*

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

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

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

## **Esh Holdings Limited**

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

#### **Related party transactions**

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

#### **Dividends on shares presented within shareholders' funds**

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

#### **Critical accounting judgements and key source of estimation uncertainty**

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

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

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

#### **(i) Turnover recognition**

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

#### **(ii) Long term contracts**

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

#### **(iii) Valuation investments in land**

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

#### **Prior year restatement**

Comparative figures have been restated to correct classification between CoS and Admin Expenses, with Cost of Sales decreasing by £5,845,000 and Admin Expenses increasing by £5,845,000. There is therefore no change to Operating Profit, and no effect on the Balance Sheet

# Esh Holdings Limited

## Notes to the financial statements for the year ended 31 December 2021

### 1 Group turnover

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

|                       | 2021<br>£'000  | 2020<br>£'000  |
|-----------------------|----------------|----------------|
| Construction          | 181,642        | 151,285        |
| Housing and land      | 17,066         | 10,458         |
| Property services     | 55,747         | 60,766         |
| Business support      | 447            | 76             |
| <b>Group turnover</b> | <b>254,902</b> | <b>222,585</b> |

### 2 Operating profit/(loss) after exceptional items

|                                                                   | 2021<br>£'000 | 2020<br>£'000 |
|-------------------------------------------------------------------|---------------|---------------|
| <b>Operating profit/(loss) is stated after charging:</b>          |               |               |
| Depreciation and other amounts written off tangible fixed assets: |               |               |
| Owned                                                             | 927           | 1,175         |
| Leased                                                            | -             | -             |
| Amortisation of goodwill                                          | -             | -             |
| Hire of assets                                                    | 8,758         | 8,425         |
| Exceptional items:                                                |               |               |
| Restructuring costs                                               | 99            | 216           |

Exceptional items reflect the one-off impact to the business during the year including £99,000 (2020: £216,000) of restructuring costs.

#### Auditors' remuneration

|                                                                    | 2021<br>£'000 | 2020<br>£'000 |
|--------------------------------------------------------------------|---------------|---------------|
| Audit of the consolidated financial statements                     | 30            | 45            |
| Amounts receivable by auditors and their associates in respect of: |               |               |
| Audit of financial statements of subsidiaries                      | 150           | 122           |
| Taxation compliance services                                       | 80            | 55            |
| Other tax advisory services                                        | -             | 4             |

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 3 Directors' emoluments

| Group                                                   | 2021<br>£'000 | 2020<br>£'000 |
|---------------------------------------------------------|---------------|---------------|
| Directors' emoluments                                   | 1,038         | 740           |
| Company contributions to money purchase pension schemes | 59            | 45            |

The aggregate emoluments of the highest paid director were £276,558 (2020: £251,695), and company pension contributions of £11,931 (2020: £10,877) were made to a money purchase scheme on his behalf. The above disclosure shows remuneration directors have received for their services to the group.

|                                                                              | Number of directors |      |
|------------------------------------------------------------------------------|---------------------|------|
|                                                                              | 2021                | 2020 |
| Retirement benefits are accruing to the following number of directors under: |                     |      |
| Money purchase schemes                                                       | 5                   | 5    |

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

#### 4 Staff numbers and costs

##### Group

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

|                      | Number of employees |      |
|----------------------|---------------------|------|
|                      | 2021                | 2020 |
| Production staff     | 277                 | 314  |
| Administrative staff | 488                 | 522  |
|                      | 765                 | 837  |

The aggregate payroll costs of these persons were as follows:

|                                         | 2021<br>£'000 | 2020<br>£'000 |
|-----------------------------------------|---------------|---------------|
| Wages and salaries                      | 33,000        | 35,504        |
| Social security costs                   | 3,432         | 3,632         |
| Other pension costs (note 24)           | 1,358         | 1,422         |
| Coronavirus Job Retention Scheme claims | -             | (2,564)       |
|                                         | 37,792        | 37,994        |

## Esh Holdings Limited

Included in staff costs are redundancy payments of £99,000 (2020: £216,220).

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 4 Staff numbers and costs (continued)

##### Company

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

|                                     | Number of employees |      |
|-------------------------------------|---------------------|------|
|                                     | 2021                | 2020 |
| Production staff (weekly paid)      | -                   | -    |
| Administrative staff (monthly paid) | 58                  | 76   |
|                                     | 58                  | 76   |

The aggregate payroll costs of these persons were as follows:

|                               | 2021  | 2020  |
|-------------------------------|-------|-------|
|                               | £'000 | £'000 |
| Wages and salaries            | 2,856 | 3,399 |
| Social security costs         | 311   | 338   |
| Other pension costs (note 24) | 146   | 188   |
|                               | 3,313 | 3,925 |

Included in staff costs are redundancy payments of £nil (2020: £145,000).

#### 5 Interest receivable and similar income

|               | 2021  | 2020  |
|---------------|-------|-------|
|               | £'000 | £'000 |
| Bank interest | 15    | 7     |

#### 6 Interest payable and similar expenses

|                                                                                  | 2021  | 2020  |
|----------------------------------------------------------------------------------|-------|-------|
|                                                                                  | £'000 | £'000 |
| On bank loans and overdrafts                                                     | 953   | 1,145 |
| Finance charges payable in respect of finance leases and hire purchase contracts | -     | -     |
|                                                                                  | 953   | 1,145 |



## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 7 Tax on loss attributable to owners of the parent

##### (a) Tax credit included in profit or loss

|                                            | 2021<br>£'000 | 2020<br>£'000 |
|--------------------------------------------|---------------|---------------|
| UK corporation tax                         |               |               |
| Current tax on income for the year         | -             | (18)          |
| Adjustments in respect of prior years      | (295)         | (42)          |
|                                            | (295)         | (60)          |
| Share of joint ventures' current tax       | 569           | 9             |
| Total current tax                          | 274           | (51)          |
| Deferred tax (see note 17)                 |               |               |
| Origination/reversal of timing differences | (659)         | (1,113)       |
| Adjustments in respect of prior years      | (102)         | (139)         |
| Total deferred tax                         | (557)         | (1,252)       |
| Tax on profit/(loss)                       | (283)         | (1,303)       |

##### (b) Reconciliation of tax credit

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

The tax charge for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

|                                                  | 2021<br>£'000 | 2020<br>£'000  |
|--------------------------------------------------|---------------|----------------|
| <b>Total tax reconciliation</b>                  |               |                |
| Profit/(loss) before taxation                    | 3,044         | (5,880)        |
| Current tax at 19% (2020: 19%)                   | 579           | (1,117)        |
| Effects of:                                      |               |                |
| Tax losses                                       | -             | -              |
| Gains/rollover relief                            | -             | -              |
| Income not taxable                               | -             | -              |
| Tax rate changes                                 | (591)         | (154)          |
| Group relief surrendered/claimed                 | (207)         | 16             |
| Deferred tax not provided                        | -             | -              |
| Transfer of trade                                | -             | -              |
| Expenses not deductible for tax purposes         | 208           | 133            |
| Adjustments in respect of prior years            | (272)         | (181)          |
| <b>Total tax credit for the year (see above)</b> | <b>283</b>    | <b>(1,303)</b> |

## **Esh Holdings Limited**

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

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

##### Tax rate changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The proposal to increase the rate to 25% has been enacted at the balance sheet date, its effects are included in these financial statements.

#### 8 Dividends

The aggregate amount of dividends paid in the year comprises:

|                                                                                              | 2021<br>£'000 | 2020<br>£'000 |
|----------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Non-voting preference shares of £1 each</b>                                               |               |               |
| Final dividends paid in respect of prior year but not recognised as liabilities in that year | -             | -             |
| Dividends paid in respect of the year                                                        | -             | -             |
| <b>Voting preference shares of £1 each</b>                                                   |               |               |
| Final dividend paid in respect of prior year but not recognised as liabilities in that year  | -             | -             |
|                                                                                              | -             | -             |

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 9 Intangible assets

##### Group

|                                 | Goodwill<br>£'000 | Negative<br>goodwill<br>£'000 | Total<br>£'000 |
|---------------------------------|-------------------|-------------------------------|----------------|
| <b>Cost</b>                     |                   |                               |                |
| At 1 January 2021               | 1,128             | (2,277)                       | (1,149)        |
| Acquisition                     | -                 | -                             | -              |
| Disposal                        | -                 | -                             | -              |
| <b>At 31 December 2021</b>      | <b>1,128</b>      | <b>(2,277)</b>                | <b>(1,149)</b> |
| <b>Accumulated amortisation</b> |                   |                               |                |
| At 1 January 2021               | 1,128             | (2,277)                       | (1,149)        |
| Disposal                        | -                 | -                             | -              |
| Charged in year                 | -                 | -                             | -              |
| <b>At 31 December 2021</b>      | <b>1,128</b>      | <b>(2,277)</b>                | <b>(1,149)</b> |
| <b>Net book value</b>           |                   |                               |                |
| <b>At 31 December 2021</b>      | <b>-</b>          | <b>-</b>                      | <b>-</b>       |
| At 31 December 2020             | -                 | -                             | -              |

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

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

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 10 Tangible assets

| Group                           | Freehold land<br>and buildings<br>£'000 | Leasehold<br>properties<br>£'000 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|---------------------------------|-----------------------------------------|----------------------------------|---------------------------------|----------------|
| <b>Cost</b>                     |                                         |                                  |                                 |                |
| At 1 January 2021               | 7,182                                   | 56                               | 9,556                           | 16,794         |
| Additions                       | -                                       | 11                               | 536                             | 547            |
| Disposals                       | (2)                                     | -                                | (1,107)                         | (1,109)        |
| <b>At 31 December 2021</b>      | <b>7,180</b>                            | <b>67</b>                        | <b>8,985</b>                    | <b>16,232</b>  |
| <b>Accumulated depreciation</b> |                                         |                                  |                                 |                |
| At 1 January 2021               | 548                                     | 23                               | 6,633                           | 7,204          |
| Charge for year                 | 91                                      | 9                                | 827                             | 927            |
| On disposals                    | -                                       | -                                | (974)                           | (974)          |
| <b>At 31 December 2021</b>      | <b>639</b>                              | <b>32</b>                        | <b>6,486</b>                    | <b>7,157</b>   |
| <b>Net book value</b>           |                                         |                                  |                                 |                |
| <b>At 31 December 2021</b>      | <b>6,541</b>                            | <b>35</b>                        | <b>2,499</b>                    | <b>9,075</b>   |
| At 31 December 2020             | 6,634                                   | 33                               | 2,923                           | 9,590          |

Included in the total net book value of plant and machinery is £nil (2020: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets is disclosed in note 2.

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 10 Tangible assets (continued)

| Company                         | Freehold land<br>and buildings<br>£'000 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|---------------------------------|-----------------------------------------|---------------------------------|----------------|
| <b>Cost</b>                     |                                         |                                 |                |
| At 1 January 2021               | 7,170                                   | 643                             | 7,813          |
| Additions                       | -                                       | 60                              | 60             |
| Disposals                       | (2)                                     | (4)                             | (6)            |
| <b>At 31 December 2021</b>      | <b>7,168</b>                            | <b>699</b>                      | <b>7,867</b>   |
| <b>Accumulated depreciation</b> |                                         |                                 |                |
| At 1 January 2021               | 535                                     | 589                             | 1,124          |
| Charge for year                 | 91                                      | 25                              | 116            |
| Disposals                       | -                                       | (2)                             | (2)            |
| <b>At 31 December 2021</b>      | <b>626</b>                              | <b>612</b>                      | <b>1,238</b>   |
| <b>Net book value</b>           |                                         |                                 |                |
| <b>At 31 December 2021</b>      | <b>6,541</b>                            | <b>88</b>                       | <b>6,629</b>   |
| At 31 December 2020             | 6,635                                   | 54                              | 6,689          |

Included in the total net book value of plant and machinery is £nil (2020: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2020: £nil).

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 11 Investment properties

|                                     | Group<br>£'000 | Company<br>£'000 |
|-------------------------------------|----------------|------------------|
| <b>Valuation and net book value</b> |                |                  |
| At 1 January 2021                   | 387            | 387              |
| Additions                           | -              | -                |
| Disposal                            | -              | -                |
| Fair value movements                | -              | -                |
| <b>At 31 December 2021</b>          | <b>387</b>     | <b>387</b>       |

The fair values of the Group's investment property at December 31, 2021 and 2020 have been based on the market comparable approach that reflects recent transaction prices for similar properties, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties / other methods. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

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

The historical cost of the Group's investment properties is £387,000 (2020: £387,000).

The historical cost of the Company's investment properties is £387,000 (2020: £387,000).

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 12 Investments

##### Group

|                                               | Shares<br>in joint<br>ventures<br>£'000 | Loans<br>to joint<br>ventures<br>£'000 | Shares in<br>participating<br>interests<br>£'000 | Loans to<br>participating<br>interests<br>£'000 | Total<br>£'000 |
|-----------------------------------------------|-----------------------------------------|----------------------------------------|--------------------------------------------------|-------------------------------------------------|----------------|
| <b>Cost</b>                                   |                                         |                                        |                                                  |                                                 |                |
| At 1 January 2021                             | -                                       | 638                                    | 60                                               | 9,510                                           | 10,208         |
| Reclassifications                             | -                                       | (638)                                  | 60                                               | 142                                             | (436)          |
| Additions                                     | -                                       | 1,374                                  | -                                                | 181                                             | 1,555          |
| Repayments                                    | -                                       | -                                      | -                                                | -                                               | -              |
| Disposal                                      | -                                       | -                                      | -                                                | -                                               | -              |
| <b>At 31 December 2021</b>                    | <b>-</b>                                | <b>1,374</b>                           | <b>120</b>                                       | <b>9,833</b>                                    | <b>11,327</b>  |
| <b>Provisions</b>                             |                                         |                                        |                                                  |                                                 |                |
| At 1 January 2021                             | -                                       | (366)                                  | (600)                                            | (375)                                           | (1,341)        |
| Reclassifications                             | -                                       | 366                                    | 600                                              | (530)                                           | 436            |
| Disposal                                      | -                                       | -                                      | -                                                | -                                               | -              |
| <b>At 31 December 2021</b>                    | <b>-</b>                                | <b>-</b>                               | <b>-</b>                                         | <b>(905)</b>                                    | <b>(905)</b>   |
| <b>Share of post-acquisition<br/>reserves</b> |                                         |                                        |                                                  |                                                 |                |
| At 1 January 2021                             | 315                                     | -                                      | -                                                | -                                               | 315            |
| Retained profits less losses                  | 236                                     | -                                      | -                                                | -                                               | 236            |
| Disposal                                      | -                                       | -                                      | -                                                | -                                               | -              |
| <b>At 31 December 2021</b>                    | <b>551</b>                              | <b>-</b>                               | <b>-</b>                                         | <b>-</b>                                        | <b>551</b>     |
| <b>Net book value</b>                         |                                         |                                        |                                                  |                                                 |                |
| <b>At 31 December 2021</b>                    | <b>551</b>                              | <b>1,374</b>                           | <b>120</b>                                       | <b>8,928</b>                                    | <b>10,973</b>  |
| <b>At 31 December 2020</b>                    | <b>315</b>                              | <b>272</b>                             | <b>(540)</b>                                     | <b>9,135</b>                                    | <b>9,182</b>   |



## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 12 Investments (continued)

| Company                    | Shares<br>in group<br>undertakings<br>£'000 | Loans to<br>subsidiaries<br>£'000 | Shares<br>in joint<br>ventures<br>£'000 | Loans<br>to joint<br>ventures<br>£'000 | Loans to<br>participating<br>interests<br>£'000 | Total<br>£'000  |
|----------------------------|---------------------------------------------|-----------------------------------|-----------------------------------------|----------------------------------------|-------------------------------------------------|-----------------|
| <b>Cost</b>                |                                             |                                   |                                         |                                        |                                                 |                 |
| At 1 January 2021          | 26,407                                      | 556                               | 398                                     | 366                                    | 564                                             | 28,291          |
| Addition                   | -                                           | -                                 | -                                       | -                                      | 167                                             | 167             |
| Disposal                   | -                                           | -                                 | -                                       | -                                      | -                                               | -               |
| <b>At 31 December 2021</b> | <b>26,407</b>                               | <b>556</b>                        | <b>398</b>                              | <b>366</b>                             | <b>731</b>                                      | <b>28,458</b>   |
| <b>Provisions</b>          |                                             |                                   |                                         |                                        |                                                 |                 |
| At 1 January 2021          | (20,698)                                    | (556)                             | (398)                                   | (366)                                  | -                                               | (22,018)        |
| Disposal                   | -                                           | -                                 | -                                       | -                                      | -                                               | -               |
| Impairment                 | -                                           | -                                 | -                                       | -                                      | -                                               | -               |
| <b>At 31 December 2021</b> | <b>(20,698)</b>                             | <b>(556)</b>                      | <b>(398)</b>                            | <b>(366)</b>                           | <b>-</b>                                        | <b>(22,018)</b> |
| <b>Net book value</b>      |                                             |                                   |                                         |                                        |                                                 |                 |
| At 31 December 2021        | 5,709                                       | -                                 | -                                       | -                                      | 731                                             | 6,441           |
| At 31 December 2020        | 5,709                                       | -                                 | -                                       | -                                      | 565                                             | 6,274           |

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

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 12 Investments (continued)

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

| Subsidiary undertakings                                   | Proportion of voting rights and shares held | Nature of business                          |
|-----------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| ABC Rental Properties Limited <sup>1</sup>                | 100%                                        | Property letting                            |
| Boathouse Lane Projects Limited <sup>1</sup>              | 100%                                        | Land and property development               |
| Border Construction (Holdings) Limited <sup>1,2</sup>     | 100%                                        | Civil engineering and building contractor   |
| Border Construction Limited <sup>1</sup>                  | 100%                                        | Civil engineering and building contractor   |
| David Wilkinson Building Contractors Limited <sup>1</sup> | 100%                                        | Dormant                                     |
| Deerness Fencing & Landscaping Limited                    | 100%                                        | Fencing contractor                          |
| Dunelm (Bowburn) Limited <sup>1</sup>                     | 100%                                        | Land and property development               |
| Dunelm Homes (Seaham) Limited <sup>1</sup>                | 100%                                        | Housebuilder                                |
| Dunelm Homes Limited                                      | 100%                                        | Housebuilder                                |
| Dunelm National Projects Limited <sup>1</sup>             | 100%                                        | Property development                        |
| Dunelm Property Services Limited <sup>1</sup>             | 100%                                        | Social housing – refurbishment of new build |
| Esh Acorn Homes Limited <sup>1</sup>                      | 100%                                        | Housebuilder                                |
| Esh Construction Limited                                  | 100%                                        | Civil engineering and building contractor   |
| Esh Developments Limited                                  | 100%                                        | Land and property development               |
| Esh EBT Trustee Limited                                   | 100%                                        | Non-trading                                 |
| Esh Homes Limited                                         | 100%                                        | Housebuilder                                |
| Esh Remedios Limited <sup>1,2</sup>                       | 51%                                         | Site investigation                          |
| J Tonks (Transport) Limited                               | 100%                                        | Waste disposal and recycling                |
| Lumsden & Carroll Limited <sup>1</sup>                    | 100%                                        | Commercial builder                          |
| Remedios Limited <sup>1,2</sup>                           | 75%                                         | Site investigation                          |
| Stephen Easten Building Limited <sup>1</sup>              | 100%                                        | Commercial builder                          |
| Tonks Recycling Limited                                   | 100%                                        | Waste disposal and recycling                |
| Tursdale Business Park Limited <sup>1</sup>               | 41%+12.5%                                   | Property letting                            |
| Tursdale Recycling Limited                                | 100%                                        | Waste disposal and recycling                |
| Wilkinson Facilities Services Limited <sup>1</sup>        | 100%                                        | Property and Facilities Management          |
| <b>Joint ventures</b>                                     |                                             |                                             |
| Boathouse Lane (Freehold) Limited <sup>1</sup>            | 50%                                         | Non-trading                                 |
| Eastbourne JV Limited                                     | 50%                                         | Housebuilder                                |
| Esh Energy Limited <sup>1</sup>                           | 49%                                         | Dissolved 19 <sup>th</sup> November 2019    |
| Esh Stantec Ltd                                           | 50%                                         | Civil engineering                           |
| Esh Salutation Road Limited                               | 50%                                         | Housebuilder                                |

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 12 Investments (continued)

| Subsidiary undertakings                       | Proportion of voting rights and shares held | Nature of business   |
|-----------------------------------------------|---------------------------------------------|----------------------|
| <b>Joint ventures (continued)</b>             |                                             |                      |
| Heighington JV Limited                        | 50%                                         | Housebuilder         |
| West Park JV Limited                          | 50%                                         | Housebuilder         |
| Middleton St George JV Limited                | 50%                                         | Housebuilder         |
| Prestige Exclusive Homes Limited <sup>1</sup> | 50%                                         | Property development |
| <b>Participating interests</b>                |                                             |                      |
| Philadelphia Estates Limited <sup>1</sup>     | +30%                                        | Property letting     |
| Philadelphia Properties Limited <sup>1</sup>  | +30%                                        | Property letting     |
| Speed 8767 Limited <sup>1</sup>               | +30%                                        | Property letting     |
| Esh Space The Park Limited <sup>1</sup>       | 15%                                         | Property development |
| M62 Developments Limited <sup>1</sup>         | 43%                                         | Dormant              |

\*voting +equity <sup>1</sup>investment held indirectly <sup>2</sup>Scottish registered company

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

The registered office of Esh Holdings Limited is Esh House, Bowburn North Industrial Estate, Durham DH6 5PF. All subsidiaries are also registered at Esh House.

#### 13 Stocks

|                                  | Group         |               | Company       |               |
|----------------------------------|---------------|---------------|---------------|---------------|
|                                  | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Land stocks and work in progress | 213           | 3,021         | -             | -             |
| Raw materials and consumables    | 600           | 524           | -             | -             |
|                                  | 813           | 3,545         | -             | -             |

The amount of stock recognised as an expense during the year was £4,235,007 (2020: £14,441,864).

There is no significant difference between the replacement cost of the stock and its carrying amount.

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 14 Debtors amounts falling due within one year

|                                                                                         | Group         |               | Company       |               |
|-----------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                         | 2021          | 2020          | 2021          | 2020          |
|                                                                                         | £'000         | £'000         | £'000         | £'000         |
| Trade debtors                                                                           | 6,665         | 10,369        | 28            | 165           |
| Amounts recoverable on contracts                                                        | 25,831        | 19,514        | -             | -             |
| Amounts owed by group undertakings                                                      | 10,557        | 10,584        | 23,952        | 24,805        |
| Deferred tax (note 17)                                                                  | 3,077         | 2,418         | 183           | 174           |
| VAT receivable                                                                          | -             | -             | -             | -             |
| Amounts owed by undertakings in which the entity has a participating interest (note 25) | 1,548         | 814           | 5             | 22            |
| Corporation tax recoverable                                                             | -             | -             | 28            | -             |
| Other debtors                                                                           | 149           | 669           | 194           | 274           |
| Prepayments and accrued income                                                          | 1,404         | 1,391         | 394           | 498           |
|                                                                                         | <b>49,231</b> | <b>45,759</b> | <b>24,784</b> | <b>25,938</b> |

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

|                                                                                         | Group         |               | Company       |               |
|-----------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                         | 2021          | 2020          | 2021          | 2020          |
|                                                                                         | £'000         | £'000         | £'000         | £'000         |
| Bank loans and overdrafts (note 16)                                                     | -             | 472           | -             | 472           |
| Payments received on account                                                            | 5,625         | 6,071         | -             | -             |
| Trade creditors                                                                         | 8,954         | 6,753         | 422           | 532           |
| Amounts owed to group undertakings                                                      | -             | -             | 15,725        | 17,514        |
| Amounts owed to undertakings in which the entity has a participating interest (note 25) | -             | 68            | -             | -             |
| Corporation tax                                                                         | 55            | 308           | -             | 54            |
| Other taxation and social security                                                      | 4,983         | 3,591         | 350           | 252           |
| Other creditors                                                                         | 2,119         | 1,522         | 642           | 36            |
| Accruals and deferred income                                                            | 37,635        | 35,532        | 819           | 375           |
|                                                                                         | <b>59,371</b> | <b>54,317</b> | <b>17,958</b> | <b>19,235</b> |

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 16 Creditors: amounts falling due after more than one year

|                           | Group         |               | Company       |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Bank loans and overdrafts | -             | 960           | -             | -             |
| Other loans               | -             | -             | -             | -             |
|                           | -             | 960           | -             | -             |

#### Analysis of debt

|                                      | Group         |               | Company       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Debt can be analysed as falling due: |               |               |               |               |
| In one year or less, or on demand    | -             | 472           | -             | -             |
| Between one and two years            | -             | 960           | -             | -             |
| Between two and five years           | -             | -             | -             | -             |
| In five years or more                | -             | -             | -             | -             |
|                                      | -             | 1,432         | -             | -             |

Further details of bank loans are provided below:

The Group has access to a £9.2m loan facility which is secured against assets of the business as specified in note 22. Funds can be drawn down against the unpaid client applications and sales invoices in Esh Construction Limited and Deerness Fencing & Landscaping Limited. Interest is charged by a means of a fixed monthly charge of £40.6k for the first £7.0m and 0.58% on any amounts drawn above that level. At 31 December 2021 the balance drawn on the loan was £(248)k (2020: £472k).

The Groups Chilton Moor Development was funded by means of a project specific loan. At 31 December 2021 the balance drawn on the loan was £nil (2020: £960k).

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 17 Provisions for deferred tax

|                                                     | Group<br>£'000 | Company<br>£'000 |
|-----------------------------------------------------|----------------|------------------|
| Provision for deferred tax:                         |                |                  |
| At 1 January 2021 (note 14)                         | (2,418)        | (174)            |
| Credit to the profit and loss current year (note 7) | (659)          | (26)             |
| Adjustment in respect of prior period               | (102)          | -                |
| Credit to the profit and loss prior year (note 7)   | 102            | 17               |
| <b>At 31 December 2021</b>                          | <b>(3,077)</b> | <b>(183)</b>     |

The elements of deferred taxation are as follows:

|                                                                     | Group<br>2021<br>£'000 | Company<br>2021<br>£'000 | Group<br>2020<br>£'000 | Company<br>2020<br>£'000 |
|---------------------------------------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Differences between accumulated depreciation and capital allowances | (605)                  | 660                      | (256)                  | 499                      |
| Short term differences                                              | 33                     | (16)                     | -                      | (3)                      |
| On losses carried forward                                           | 3,647                  | (827)                    | 2,674                  | (669)                    |
| <b>Total</b>                                                        | <b>3,075</b>           | <b>(183)</b>             | <b>2,418</b>           | <b>(174)</b>             |

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 18 Financial instruments

##### Group

The Group has the following financial instruments:

|                                                                               | Note  | 2021<br>£'000 | 2020<br>£'000 |
|-------------------------------------------------------------------------------|-------|---------------|---------------|
| <b>Financial assets measured at amortised cost:</b>                           |       |               |               |
| Trade debtors                                                                 | 14    | 6,665         | 10,369        |
| Prepayments and accrued income                                                | 14    | 1,404         | 1,391         |
| Amounts recoverable on contracts                                              | 14    | 25,831        | 19,514        |
| Amounts owed by group undertakings                                            | 14    | 10,557        | 10,584        |
| Amounts owed by undertakings in which the entity has a participating interest | 14    | 1,548         | 814           |
| Other debtors                                                                 | 14    | 149           | 669           |
|                                                                               |       | <b>46,154</b> | <b>43,341</b> |
| <b>Financial liabilities measured at amortised cost:</b>                      |       |               |               |
| Bank loans and overdrafts                                                     | 15/16 | -             | 1,432         |
| Amounts owed to undertakings in which the entity has a participating interest | 15    | -             | 68            |
| Payments received on account                                                  | 15    | 5,625         | 6,071         |
| Trade creditors                                                               | 15    | 8,954         | 6,753         |
| Other loans                                                                   | 16    | -             | -             |
| Other creditors                                                               | 15    | 2,119         | 1,522         |
| Accruals and deferred income                                                  | 15    | 37,635        | 35,532        |
| Other taxation and social security                                            | 15    | 4,983         | 3,591         |
|                                                                               |       | <b>59,316</b> | <b>54,969</b> |

# Esh Holdings Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 18 Financial instruments (continued)

#### Company

The Company has the following financial instruments:

|                                                                               | Note  | 2021<br>£'000 | 2020<br>£'000 |
|-------------------------------------------------------------------------------|-------|---------------|---------------|
| <b>Financial assets measured at amortised cost:</b>                           |       |               |               |
| Trade debtors                                                                 | 14    | 28            | 165           |
| Prepayments and accrued income                                                | 14    | 394           | 498           |
| Amounts owed by group undertakings                                            | 14    | 23,952        | 24,805        |
| Amounts owed by undertakings in which the entity has a participating interest | 14    | 5             | 22            |
| Other debtors                                                                 | 14    | 194           | 274           |
| Corporation tax                                                               | 14    | 28            | -             |
| VAT receivable                                                                | 14    | -             | -             |
|                                                                               |       | <b>24,601</b> | <b>25,765</b> |
| <b>Financial liabilities measured at amortised cost:</b>                      |       |               |               |
| Bank loans and overdrafts                                                     | 15/16 | -             | 472           |
| Amounts owed to group undertakings                                            | 15    | 15,725        | 17,514        |
| Trade creditors                                                               | 15    | 422           | 532           |
| Other creditors                                                               | 15    | 642           | 36            |
| Accruals and deferred income                                                  | 15    | 819           | 375           |
| Other taxation and social security                                            | 15    | 350           | 252           |
|                                                                               |       | <b>17,958</b> | <b>19,181</b> |



## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 19. Called up share capital

##### Group and company

|                                                   | 2021              |               | 2020              |               |
|---------------------------------------------------|-------------------|---------------|-------------------|---------------|
|                                                   | Number of shares  | £000          | Number of shares  | £000          |
| <b>Allotted, called up, issued and fully paid</b> |                   |               |                   |               |
| Non-voting ordinary shares of 0.1p each           | 9,834,967         | 10            | 9,834,967         | 10            |
| Variable dividend ordinary shares of £1 each      | 14,286,791        | 14,287        | 14,286,791        | 14,287        |
| Voting preference shares of £1 each               | 7,959,638         | 7,959         | 7,959,638         | 7,959         |
|                                                   | <b>32,081,396</b> | <b>22,256</b> | <b>32,081,396</b> | <b>22,256</b> |

##### Non-voting ordinary shares

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

##### Variable dividend ordinary shares

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

##### Voting preference shares

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

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

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

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

Employment benefit trust (EBT) reserve consists of shares repurchased by the Group's Employee Benefit Trust. At the end of the year the EBT held 229,743 preference shares of £1 each (2020: 229,743), nil non-voting shares of 0.1p each (2020: 0.1p) and 305,783 voting ordinary shares of £1 each (2020: 305,783) at a combined cost of £640,972 (2020: £640,972).

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

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 20 Minority interests

|                                                                        | Group<br>£'000 |
|------------------------------------------------------------------------|----------------|
| At 1 January 2021                                                      | 21             |
| Total comprehensive loss before tax attributable to minority interests | (21)           |
| At 31 December 2021                                                    | -              |

#### 21 Reconciliation of operating loss to operating cash flows

|                                                                           | 2021<br>£'000 | 2020<br>£'000  |
|---------------------------------------------------------------------------|---------------|----------------|
| Profit/(loss) for the financial year attributable to owners of the parent | 3,328         | (4,577)        |
| (Loss)/profit for the financial year attributable to minority interest    | (21)          | 4              |
| <b>Profit/(loss) for the financial year</b>                               | <b>3,307</b>  | <b>(4,573)</b> |
| Tax on loss attributable to owners of the parent                          | (283)         | (1,303)        |
| Tax on loss attributable to minority interest                             | -             | -              |
| Net interest expense                                                      | 938           | 1,138          |
| Income from shares in group undertakings                                  | -             | -              |
| (Loss)/gain from sale of investments                                      | 32            | 511            |
| Profit from joint ventures                                                | (2,360)       | (409)          |
| Negative goodwill on acquisition                                          | -             | -              |
| Profit/(loss) on sale of fixed assets                                     | (117)         | (5)            |
| <b>Operating (loss)/profit</b>                                            | <b>1,517</b>  | <b>(4,641)</b> |
| Amortisation of intangible assets                                         | -             | -              |
| Depreciation of tangible assets                                           | 927           | 1,175          |
| Revaluation of investment property                                        | -             | -              |
| Working capital movements                                                 | -             | -              |
| - (Increase)/decrease in inventories                                      | 2,732         | 1,383          |
| - (Increase)/decrease in debtors                                          | (4,286)       | (2)            |
| - Increase/(decrease) in payables                                         | 5,715         | 6,828          |
| <b>Cash generated from operating activities</b>                           | <b>6,605</b>  | <b>4,743</b>   |

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 22 Contingent liabilities

##### Banking arrangements

The Group funding arrangements are secured by means of charges on the Land and Buildings held within Esh Holdings Limited and Plant and Machinery held in Esh Construction Limited and Deerness Fencing & Landscaping Limited, together with a first ranking debenture across the assets and liabilities of the key group trading companies including Esh Holdings Limited. The amount drawn on the facility at 31 December 2021 amounted to £nil (2020: £472k).

There are no other known contingent liabilities.

#### 23 Commitments

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

|            | Group         |               | Company       |               |
|------------|---------------|---------------|---------------|---------------|
|            | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Contracted | -             | 26            | -             | -             |

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

|                                | 2021<br>£'000 | 2020<br>£'000 |
|--------------------------------|---------------|---------------|
| Group                          |               |               |
| Operating leases which expire: |               |               |
| Within one year                | 161           | 270           |
| Later than one year            | 431           | 342           |
| More than five years           | -             | -             |
|                                | 592           | 612           |

## Esh Holdings Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 24 Pension scheme

##### Group

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,183,302 (2020: £1,376,630). Contributions amounts to £193,970 (2020: £235,944) were payable to the scheme and are included in creditors.

##### Company

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £101,023 (2020: £188,554).

Contributions amounting to £24,175 (2020: £29,768) were payable to the scheme and are included in creditors.

#### 25 Related party disclosures

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

|                                  | Sales  |       | Purchases |       | Debtors |       | Creditors |       |
|----------------------------------|--------|-------|-----------|-------|---------|-------|-----------|-------|
|                                  | 2021   | 2020  | 2021      | 2020  | 2021    | 2020  | 2021      | 2020  |
|                                  | £'000  | £'000 | £'000     | £'000 | £'000   | £'000 | £'000     | £'000 |
| Esh Space The Park Limited       |        |       |           |       |         |       |           |       |
| Loan                             | -      | -     | -         | -     | -       | -     | -         | -     |
| Micropump (NE) Ltd.              |        |       |           |       |         |       |           |       |
| Trade                            | -      | 9     | -         | 55    | 1       | -     | -         | 8     |
| Loan                             | -      | -     | -         | -     | -       | 21    | -         | -     |
| Prestige Exclusive Homes Limited |        |       |           |       |         |       |           |       |
| Trade                            | -      | -     | -         | -     | -       | 7     | -         | -     |
| Loan                             | -      | -     | -         | -     | 300     | 290   | -         | -     |
| Middleton St George JV Limited   |        |       |           |       |         |       |           |       |
| Trade                            | 436    | 276   | -         | 1     | 64      | 56    | -         | 1     |
| Eastbourne JV Limited            |        |       |           |       |         |       |           |       |
| Trade                            | 97     | -     | -         | -     | -       | 18    | -         | 30    |
| Loan                             | -      | -     | -         | -     | -       | -     | -         | -     |
| West Park JV Limited             |        |       |           |       |         |       |           |       |
| Trade                            | 8,386  | 5,693 | -         | -     | 729     | 373   | -         | -     |
| Salutation Road                  |        |       |           |       |         |       |           |       |
| Trade                            | (2)    | -     | 4         | 18    | -       | -     | 12        | 10    |
| Loan                             | -      | -     | -         | -     | -       | -     | -         | -     |
| Heighington JV Ltd               |        |       |           |       |         |       |           |       |
| Trade                            | 187    | 347   | -         | 6     | 16      | 49    | -         | 19    |
| Esh DBC Limited                  |        |       |           |       |         |       |           |       |
| Trade                            | 1068   | -     | -         | -     | 173     | -     | -         | -     |
| Loan                             | -      | -     | -         | -     | -       | -     | -         | -     |
| Neasham Road JV Limited          |        |       |           |       |         |       |           |       |
| Trade                            | 2,543  | -     | -         | -     | 261     | -     | -         | -     |
|                                  | 12,625 | 6,325 | 4         | 80    | 1,548   | 814   | 12        | 68    |

## **Esh Holdings Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **25 Related party disclosures (continued)**

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

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

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

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

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

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

#### **27 Post balance sheet events**

In January 2022, the group disposed of its entire interest in Deerness Fencing & Landscaping Limited. As the company was 100% owned throughout 2021, it is included within these Group financial statements. Deerness Fencing was sold to a company that is ultimately controlled by Michael Hogan, who is the major shareholder in Esh Investments Limited, and so is a related party. The company was sold for balance sheet value at 31 December 2021, therefore there is a negligible effect on the Net Assets of the Group.