



ESH HOLDINGS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2014

REGISTERED NUMBER 03724890



WELCOME TO ESH

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CHAIRMAN'S REPORT

Business review: the financial year to 31 December 2014

2014: A year of transformation and strong results

2014 has been a year of transformation for Esh Group. The business has achieved significant increases in both turnover and profitability which are a credit to the hard work of everyone working at and with Esh Group. The Board would like to thank our clients, suppliers, stakeholders and all those who work for the business together with our friends throughout the North of England and beyond for their support.

We have continued to work hard to build our local presence in Yorkshire, Cumbria and the Scottish Borders.

In Cumbria and Scotland, Border Construction, acquired in the early part of 2014, has now been integrated into the Group and a new office has been opened at Livingston to take advantage of workload in this area.

In Yorkshire we are continuing to work hard to build business in a busy and crowded marketplace and have achieved growth warranting a larger base from which to operate. We have therefore taken additional space at Thorpe Park. We are making good headway with our civil engineering focus on infrastructure, and have benefitted from expanding and restructuring our management team so improving reporting structures and enabling greater focus on key target areas.

Our operations in the North East have continued to perform profitably across all areas. This is the model we hope to replicate across our working areas.

Overall we continue to place real importance on the management of our reputation and brand and in staying true to our principle of taking on only work where it is believed we would properly add value both to our clients and to our business.

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Together with 69 business partners the Added Value work we carry out together across all aspects of our business; community, environment, the marketplace and people and workplaces is becoming well established, providing 'win-win' outcomes to people of all ages and diverse communities. In 2015 the reach of this work is planned to cover all of our operational areas.

In our 2013 report we spoke of Esh Group building sustainability and scalability and of the business moving into a new phase of maturity. The results and progress achieved during 2014 indicate that sound progress is being made in this respect.

Nevertheless we are respectful of the challenges ahead and we continue to improve our risk management as we work to fully establish Esh Group into the regions into which we are expanding; the North West, Cumbria & Scottish Borders and Yorkshire & Humberside and to sustain our business in the North East.

Finally, it is with heartfelt gratitude that, on behalf of the Board and all those who work for and with Esh Group, I thank our retiring chairman, Austin Donohoe, for his immeasurable contribution to the growth and success of Esh Group over the last 14 years.

Austin retired as Chairman and stepped down from the Board at the end of the 2014 financial year. He joined as Non-executive Director in 2001 and was appointed Non-Executive Chairman in 2004.

His passion for success, wit and wisdom have provided both beacon and balance to Esh Group's journey thus far. We thank him sincerely for his insight and generosity and wish him very well in the future.

Therefore, with great pleasure, I report on a most successful year for Esh Group and once again thank clients, staff, shareholders, business partners and all other stakeholders for their support and our continued commitment to sharing opportunity and success.

M Hogan
Chairman

29 May 2015



Celeste Armitage, Added Value Officer with children from Teesville Primary School



Entrance way at The Gateway Middlehaven, Middlesbrough



CHIEF EXECUTIVE'S REPORT

Performance

In our 2013 report we spoke of improving market conditions and the potential to grow outside the North East giving us opportunity to take turnover beyond £250m. In 2014 this has materialised and we are pleased to report turnover in 2014 was £277m, an increase of 43%. More importantly profitability has also improved considerably to £9.5m, an increase of 197% on the previous year.

We have made a further step change in re-organising the way we do business across what is now a North of England and Southern Scotland based, diversified construction business.

We have described 2014 as a year of transformation and positive progress has been made in all aspects of the business. The new regional management structures are now established and with new teams and reporting bedding in.

In conjunction with this growth we have continued to closely manage challenges within the business. Some of these have arisen as a result of the resurgence of the sector overall, as cost increases, challenging delivery programmes and shortages of resources, labour and material supplies driven by industry demand have been experienced.

Our progress and success is achieved through our people and we have put particular emphasis on increasing our staff communication and engagement processes, making significant additional investment in development and training. The business is currently working towards reaccreditation to Investors In People.

Alongside, we have continued to build and develop our Added Value programmes with our partners and to expand this work deeper into the organisation involving greater numbers of employees through the business, including those on sites.

We are growing our BIM (Building Information Management) capability across the business.

Our business development is focussed; we are pragmatic in our tenders and bidding. We are respectful of the changes in market conditions and the uncertainties created by both the economy and the political landscape, in particular the Scottish Referendum and the General Election.

Our focus in 2015 will be on making sure our foundations are solid, consolidation, consistency and risk management. A key aim in the year is to embark on a major programme to review and replace the Group's IT systems, introducing a new network that is fit for purpose as we continue to aim for steady, sustainable growth across our expanded geographical area.

Measurement

The Group continues to use a range of non-financial and financial performance related indicators to ensure that activities are monitored and controlled effectively. Those set out below are reported to the Board and staff at frequent and regular intervals.

	2014	2013
Turnover, including share of joint ventures	£276.8m	£193.3m
Turnover growth	43.2%	10.6%
Gross profit margin	8.1%	6.8%
Overhead (administrative) costs	£10.8m	£8.0m
Profit before tax	£9.5m	£3.2m
Cash at bank	£32.4m	£27.6m
Cash generated from operations	£16.1m	£8.1m

Esh Construction is strengthening its position across all of the Group's working areas. Esh Border Construction represents the business across Central and Southern Scotland into Cumbria and North Lancashire from its offices in Carlisle, Kendal, Earlston and a recently established new base at Livingston.

Upon acquisition of Border Construction Ltd a balance sheet of £2.1m came across, providing a good starting point for turnaround. In April 2014 Simon Phillips was appointed Regional Managing Director for Esh Border Construction to galvanise and integrate the existing Border and Esh teams. Simon is well known to the Group and we are really pleased that he has joined the business.

During 2014 the market in these areas has continued to be challenging but showing signs of an improving situation for our business in 2015; we are investing significant effort in establishing the business across this diverse region. Meet the Buyer events have been held in the region and PR communications consultancy, Beattie, has been appointed to work alongside our Business Development and Added Value teams to assist in raising awareness of our business across this large area. Resources are being added to position Esh Border to develop in the coming years. Finlayson, the small works brand inherited as part of the acquisition of Border Construction is being supported in its operations out of Galashiels. Likewise investment has been made in new equipment at the specialist joinery division based in Carlisle.

Good progress has been made in working in social housing with clients including Eildon & Scottish Border Council, Riverside and Two Castles Housing Associations. Significant contracts with private developer Barros Trading in Barrow in Furness and Historic Scotland for a new national conservation centre in Stirling are anticipated in early 2015.

We continue to build on our Value Added work throughout Cumbria and in the Post 16/Training Provider of the Year category we were runners up to Cumbria University at the Golden Apples Awards.



Esh Border Celebrates their first birthday in Edinburgh



Hand over of new homes at Sickling Hall to Yorkshire Housing Association



Opening of Chester le Street war memorial



Lumsden & Carroll's newest addition to their fleet of wagons



Restoration work to Exhibition Park Newcastle

We have doubled the size of the base for Esh Construction's Yorkshire and Humber operations at Thorpe Park on the A1M near Leeds. Andy Gawthorpe has been appointed as our Regional Managing Director to bring together civil engineering, commercial build and social housing operations under the Esh Construction banner. Andy joins from a national contractor and brings plenty of enthusiasm and drive to establish our business going forward.

The social housing market as a whole has not been without its problems in 2014 and Yorkshire, in particular, has experienced issues in sourcing materials and labour alongside tight build programmes and reduced grants. We have built on our business in this area winning new build work with Yorkshire Housing and Guinness Housing.

Our commercial build operation in the region has made steady progress although in general the sector is slow to recover. We have secured a new build contract with Muse Developments for Leeds Logic on a prestigious new business park for delivery in 2015 and built the award-winning velodrome for York University in 2014.

Civil engineering has been a stand-out performer and in 2015 we will look for opportunities to expand our infrastructure works into areas such as roads and sewers. We have won a new framework with Sheffield City Council and we continue to deliver important contracts with Yorkshire Water, Barnsley County Council, Leeds City Council and York City Council through the Yorbuild and Yorcivils frameworks and to deliver infrastructure works for national and regional house builders including Taylor Wimpey, Lovell and Harron Homes. The traffic calming and road realignment scheme delivered for Leeds City Council on behalf Highways Agency at junction 44 on the M1 was high profile and helpful in raising awareness of our business in the region.

Esh Construction's well established North East operation, delivered out of Bowburn, continues to perform very well across all sectors with civil engineering leading the way followed by commercial build and social housing. Stephen Wilkie has been appointed Regional Managing Director for the North East. Steve started working with the company as a trainee and now has 27 years' service so we know what he can bring to the business.

A civil engineering framework, for potentially nine years, has been won with Capita to deliver infrastructure works for North Tyneside Council. In addition, the A174/A1044 junction civil engineering scheme, a road scheme in conjunction with UK Land Estates and a new build Innovation Centre, were delivered as part of the Stockton Borough Council framework.

Six schemes have been delivered in Teesside by the commercial build team. The total value of these contracts has exceeded £30m and the developments form part of the regeneration of Middlesbrough and Stockton's riversides. They include Middlehaven Gateway, an award winning joint development between Keiro and Erimus Housing providing a nationally unique residential therapeutic rehabilitation centre, Tennant Street Medical Practice a new Link Health Centre, Thirteen Group headquarters for client, Muse Developments, STEM (Science, Technology, Engineering and Maths) Skills Centre, for Middlesbrough College, Boho 5, high quality, innovative incubator offices for Middlesbrough and Fusion Hive, Stockton Innovation Centre, commissioned by Stockton Borough Council for the University of Teesside.

Our important contract with Northumbrian Water on AMP5 Framework 02B Construction Infrastructure and AMP5 Framework 05 Sewer Maintenance has progressed well and the team is currently re-tendering for both frameworks in 2015.

The civil engineering team has continued to deliver the Environment Agency framework for reactive maintenance and to grow provision of infrastructure works for house builders including Taylor Wimpey, Persimmon Homes, Barratt Homes, Bellway and Bett Homes.

The social housing team is on track to deliver the Homes & Communities Agency contract, in full and on time in conjunction with Two Castles Housing Association. Other social housing clients include East Durham Homes, Thirteen Group, Broadacres Housing Association, Your Homes Newcastle and North Star Housing Association. Additionally the team has undertaken new build work for the Group's in-house building arm, Dunelm Homes, completing over 170 homes and over the year the Group has built more than 750 new homes in total for its client base.





Michael Henderson, Surveying Director of Lumsden & Carroll on site in Wynyard

New contracts delivered in the year included refurbishment of 900 homes within 6 months for South Tyneside Homes. This logistically intensive scheme completed in early 2015 and was delivered on time to full specification. Other significant refurbishment programmes were East Durham Homes decent homes programme, Cestria and North Star planned programmes, Anchor planned maintenance and conversions for Prince Bishop Homes.

New contracts have been secured with Coast & Country Housing and Livin and new clients include Leazes Homes (part of Your Homes Newcastle) and the YMCA.

Esh Facilities, led by Steve Leadbitter and based in Cramlington Northumberland, has performed well and alongside carrying out 24/7 responsive and planned maintenance for national and regional organisations is continuing to deliver project work for a major national client. The business complements our construction stream and the two sustain one another.

Over the next three to four years Esh Construction aims to emulate the success which has been achieved in the North East across our other regions in order to create an exceptional business. Our move to producing regional financial splits in Esh Construction by region and service stream will prove invaluable in monitoring progress and working towards our goal. We recognised that this strategy will take time, investment and resources and we are certain that Esh Group possesses these assets in abundance and, together with patience, we are confident we can succeed.

Overall the specialist businesses performed well in 2014. Deerness Fencing & Landscaping led the way, successfully combining the two disciplines to produce a strong set of financials working across civil engineering, speculative and social housing, commercial build and education sector. The business was successful in retaining the high profile University of Sunderland framework contract for a fourth term together with a string of prestigious industry awards.

Mechplant benefitted from the civil engineering upturn and delivered steady growth in the plant hire business producing healthy profit fuelled by high utilisation of

equipment. A £4m investment programme - £2m in 2014 and a further £2m in 2015 - will see substantial renewal and expansion of equipment and the fleet. Further investment in early 2015 in acquisition of mobile cranes will fill market need and has the potential to add around £1m to turnover. A depot at the Port of Tyne has been established in 2015 and new contracts with Port of Blyth and Taylor Wimpey and Persimmon are anticipated.

Bartram Walker is continuing to find the plumbing market tough but is working hard and producing profit. A recovery in margins in the social housing market would result in an improvement here.

Remedios our specialist remediation business has struggled for workload. Developments that are now moving forward have been focussed on Greenfield land although these have limited opportunities. We have carried out a reorganisation and have combined general geotechnical expertise with specialist environmental and are conducting a pilot scheme with the Coal Authority in respect of metal contaminated mine workings.

Esh Training Solutions continues to provide vital services to the Group delivering people development and legislative training. Over 60 apprentices were employed in summer 2014 as part of our overall plan to take on 150 over a three year period. This substantial workload is rewarding given the success rates we anticipate.

2014 has been both interesting and busy for the Group's development businesses which complement one another well. Esh Developments has continued to source land for both social and speculative housing and has been successful in securing planning permission for around 500 houses and a retail development subject to a section 106 agreement at Philadelphia, Tyne & Wear. It has also achieved planning permission for a major expansion of Group facilities at Bowburn alongside a scheme for extending the adjacent housing site. With numerous other schemes in the pipeline, the business is moving forward with a number of upmarket sites for our zero-energy housing brand Trivselhus by Esh which in early 2015 was prominently featured in the exhibition village at the Ideal Homes Show at Olympia in London.

Dunelm Homes completed 172 units in 2014 and delivered on its plan to further reduce bank debt and work out its existing land bank. It is expected that by mid-2015 all remaining sites will have been completed and obligations to funders will have been fulfilled. This is a significant achievement and a credit to the Dunelm Homes team.

Esh Homes was set up in February 2014 to take advantage of the Esh brand. Nine units were completed in 2014 and the 137 units forecast for 2015 are well underway.

Trivselhus by Esh our zero energy housing has commenced infrastructure works on sites at Brampton and Wetheral in Cumbria, with further sites planned in Hexham, Darlington and Cumbria. The Ideal Homes Show at the beginning of 2015 gave a massive boost to national awareness of this product and we are looking forward to reconstructing the show home in the North East which, we anticipate, will attract attention leading to greater awareness.

“The Ideal Homes Show at the beginning of 2015 gave a massive boost to national awareness of Trivselhus by Esh, our zero energy housing, and we are looking forward to reconstructing the show home in the North East”

The business' work was recognised by a number of awards in 2014 including:

Esh Group

Winner, Business in the Community, Responsible Business Award, Education Award for Building my Skills

Winner, Best of Darlington Awards, Business Contribution to the Community Award

Winner, Chartered Institute of Building - Committed to Construction in West and South Yorkshire, Corporate Responsibility Award for Esh Communities

Esh Construction

Winner, RICS Yorkshire & Humber, Infrastructure Award for Coastal Protection Scheme (Phase 1), Bridlington

Winner, RICS North East, Community Benefit Award for The Gateway, Middlehaven

Winner, RICS North East, Project of the Year Award for The Gateway, Middlehaven

Shortlisted, RICS National Project of the Year Award for The Gateway, Middlehaven

Lumsden & Carroll

Winner, CECA North East, Going the Extra Mile Award for Building my Skills

Winner, CECA North East, Environmental Company of the Year Award

Winner, NWG Living Water Framework Awards 2013-2014, Team of the Year: Risk Reduction Property Flooding

2014 has seen a strong performance across Esh Group. For that we thank our employees who have worked hard, our subcontractors and supply chain who continue to support us and our customers who entrust us with their work.

Brian Manning
Chief Executive



Trinity School, Carlisle



Meet the buyer event in Cumbria





Acquisition of new cranes by Mechplant

In 2014 Esh Group adopted Business in the Community's (BITC) Corporate Responsibility (CR) Index to inform its strategy going forward. First launched in 2002, the CR Index is a robust tool to help companies systematically measure, manage and integrate responsible business practice in community, environment, marketplace and workplace and their environmental and social impact.

Community

Esh Group's work with community includes the Building My Skills programme, Esh Communities, work with undergraduates and offenders, STEM outreach, support for frameworks and partnerships and work experience opportunities.

Building my skills - 2014/15 academic year in summary

- 48 schools / 1 college
- 6,919 students / c.41,514 learner hours
- 328 largest cohort
- 95% attendance / 82% retention
- 23 local authority areas / districts
- 69 Business Partners
- 249 business sessions
- 900-1000 interviews

Building My Skills (BMS)

BMS provides years 9, 10 and 11 and 6th Form students with a rounded introduction to the world of work through regular engagement with the business world.

The year-long employability skills programme is currently delivered free of charge by a business workgroup originally formed in partnership with colleagues of the North East offices of Ryder Architecture, Turner Townsend and Arup.

Year on year the workgroup has grown and now includes 69 local, national and global businesses from 15 different business sectors in delivery to secondary school students across the North of England and Southern Scotland.

In 2014 Building My Skills worked with 49 schools and over 6,900 students delivering over 40,000 learner engagement hours. Delivery is scheduled as part of the school timetable, each delivered by a different business guest, and each student completes 'checkpoints' to create their employability portfolio. Students who fully complete the programme are offered a mock interview which often leads to promising students being offered work experience, apprenticeships and real jobs.

In 2014 95% of students participating attended every business session and 82% completed all work within their employability portfolio.

In 2014 Building My Skills was featured in 'TimesED' in 2014, won the 'Going the Extra Mile' award at CECA North East and was accredited with the National Big Tick for Education from Business in the Community in June 2014.

"Building My Skills is a structured programme which has covered important aspects relating to employability. Presentations from real employers have been invaluable as the various speakers have provided knowledge, experience and realism. This is an important factor which is not always available in a class based setting."

Julie Coupe
Sir Thomas Wharton Community College, Doncaster

In the 2015/16 academic year Building My Skills will be expanded across Yorkshire and Scotland and over 100 businesses are expected to take part.

ESH CHARITABLE TRUST AND ESH ADDED VALUE

Esh Charitable Trust works alongside Esh Group to support its work across communities. By the end of 2014 it had received £1.4m funding from the Group

Our commercial operations are underpinned by the work we deliver in communities throughout the North of England and Scotland. The extent of this work is growing as we expand our geographical area. We deliver with passion and quality and we thank both our own team and the many businesses who work alongside us on the programmes we deliver.



On site with children from Hylton Castle Primary School





Esh Group Family Fun Day

Launched in 2012, **Esh Communities** makes grants of up to £1,000 to community projects and organisations which show potential to make a positive difference for their community. The applications process has been designed to be simple and clear. Projects and charities in the areas where we work are entitled to apply for a grant, demonstrating that they align with one or more of our core values:

- improve quality of life and/or employability prospects of residents in the local area
- promote equality by engaging minority, hard to reach, disadvantaged or vulnerable groups
- encourage healthy living, positive lifestyle changes and sustainable communities

In 2014 over £40,800 was given in Esh Community Grants to 44 projects:

- 12 projects in the North East
- 12 projects in North West
- 7 projects in Scotland
- 13 projects in Yorkshire & Humberside

North East: Young Asian Voices



“We are delighted to receive the funding from Esh Group and the Esh Charitable Trust, this is fantastic news and we would like to say a big Thank You for awarding our project the grant! We look forward to working with you.”

Kumareswaradas Ramanatha
Project Manager

North West: Homelife, Carlisle



“Thank you so much from the team at Homelife Carlisle for the grant funding to assist vulnerable households who have problems with hoarding and disrepair.

The grant funding will be used to pay for small scale repairs and assistance with the aim of helping people to live in healthier and safer homes. The project will work with partners in Environmental Health, Health and housing support as well as linking with the emerging Cumbria Hoarding Partnership. Hoarding can severely affect people’s mental and physical health as well as their social lives. The funding will therefore provide practical help which is usually lacking in the existing support that is currently available for this problem. Without this funding many people would not have the means to pay for the practical assistance that is part of the solution. Not only will the project significantly improve the quality of life of individual households but also improve the environment of local communities who are also often affected.”

Emma Kate Moraitis
Project Worker

Scotland: Bathgate Street Pastors, West Lothian



“We know and very much appreciate your continued support of our work and are indebted to people like yourself ensuring the safety of the young people in our community.”

Iain Scoular
Chairman Bathgate Street Pastors

Yorkshire: Wilberforce Trust, York

“The Wilberforce Trust is delighted to receive important funding from Esh Charitable Trust to continue to run our Active Sensory sessions. The sessions are vital to the disabled people we work with who find it difficult to engage in other, mainstream sporting activities. They have told us that the sessions are great fun and also enhance their levels of physical and mental well-being.”

Anne Parkinson
Fundraising Co-ordinator

Environment

The Group carries out a comprehensive waste materials reclamation process in order to reduce material going to landfill sites. The process, audited through ISO 14001 is delivering recovery rates of around 95%, recovering hazardous and non-hazardous soil and stones, gypsum, metals, wood, packaging, inert material such as glass, concrete, bricks and tiles and mixed hazardous and non-hazardous waste.

“A review of our principle customers shows that Esh Group is our top performing customer for both materials bought from our recycling facilities for reuse on site, and for materials brought into our facilities for reprocessing into recycled aggregate; a notable ‘double’!

“We believe Esh Group is a true recycling champion: During 2014 the company collected 61,000 tonnes of Type One sub base, 16,000 tonnes of 6F5 and 5,000 tonnes of recycled track ballast from our Wallsend Recycling facility alone.

“Sales of recycled materials from us to Esh Group reached almost 100,000 tonnes for 2014. Looking further back into our records we’ve found Esh Group has collected from us almost quarter of a million tonnes of recycled materials within the last four years. We wish to commend Esh Group upon its genuine and continuous commitment to the use of recycled aggregates.”

Gordon O’Brien,
Managing Director, O’Brien Recycled Aggregates

All Esh Group premises have been audited for efficient water and energy use and devices such as self-closing taps and sensory lighting are being fitted as part of a rolling programme.

The Fleet Management team has carried out extensive work to improve fuel efficiency. Employees who are involved in substantial travel for their work are encouraged to attend workshops aimed at improving their fuel efficient driving skills. Masternaut Fleet tracker software is used to help improve economic and efficient fleet operations.

A number of hybrid fuel and electric cars are currently being trialled within the business.

Workplace

Esh Group sets out to be an ‘employer of choice’; a company “leading the way...” which people are proud to work for and want to be part of. The company has made significant investment in training and development opportunities through Esh Training Solutions, Esh Academy, Esh Future Leaders – a talent programme for potential leaders - and Investors in People accreditation, now in its 12th year.

Communications channels criss-cross the business, reaching every business area, work gang and level throughout the company and include:

- ThinkChange – ideas sharing software
- Reward - ‘Ideas and Innovation’ prize for ideas delivering business benefits
- SharePoint – daily automatic updates
- Esh Academy & Future Leaders Programme - leadership and knowledge sharing opportunities
- In-House, Esh Training Solutions manages Training Needs Matrix for whole workforce
- Client Post Project Reviews - to look at knowledge gained and improvement opportunities
- Project Closedown meetings - for every project
- Monthly Sector Meetings – communications, Health & Safety, environmental – to share learning and best practice
- Toolbox talks - knowledge enhancement and sharing
- Transfers intra-Group – to share best practice
- Annual Plan briefings – delivered to all employees by Chief Executive, Kaleidoscope publication shares company news.
- Team building - intra-team sports events and family fun days
- Staff can be offered the opportunity to become shareholders and are invited to the AGM.

In 2014 the absence rate for the whole of Esh Group, some 1,200 direct employees, was the equivalent of 3.78 days per employee which is half the national average of 7.6 days per employee.

The UK is facing its biggest skills shortage for a generation and there are talent gaps across the construction sector. Esh Group believes young people need access to quality, realistic and relevant careers information advice and guidance. Latest figures highlight that the highest levels of youth unemployment in the UK are in the North East, Yorkshire and Cumbria.

Recruitment of apprentices is a significant part of Esh Group’s HR policy and as testament; a number of the Group’s senior directors started their careers as an apprentice. In order to future proof the business and tackle skill shortages in the industry recruitment of apprentices has been made a top priority.

Esh Group’s apprenticeship programme is managed under Esh Academy where each apprentice is given a mentor to work with during their apprenticeship.

60 apprentices were recruited in 2014 and the Group aims to have recruited 150 apprentices by 2017.





Teesville Primary School Bridge Building

Esh Group signed up to the **Armed Forces Corporate Covenant**, a voluntary pledge to demonstrate support to the armed forces community. The Group has achieved Bronze status and in order to achieve Silver status is delivering work experience opportunities and supporting Army reservist involvement and engagement as well as working with SABRE (Support for Britain's Reservists & Employers) offering recruitment opportunities as part of the Armed Forces covenant.

“We are really pleased to be working closely with Esh Group and look forward to future collaborations; they have recently been awarded the MoD’s Bronze Award under the new Employer Recognition Scheme which recognises their support to the Armed Forces Community.”

Gary McLafferty
Regional Employer Engagement Director, North of England Reserve Forces’ and Cadets’ Association



Wear it Red Day at Esh House



Derek Rayner, Construction Manager, Esh Construction

Derek Rayner started with the company in 1977 as a ground worker and is now a **Construction Manager with Esh Construction.**

The role of ground workers is vital; they carry out all initial site work before any construction project can begin, laying the foundations for building structures. Derek is championing recruitment of apprentice ground workers - his knowledge and expertise is ideal in to promote this apprenticeship. Alongside Derek’s efforts Esh Academy offers a “refer a friend” incentive scheme to our current apprentice ground workers.

Marketplace

Through this aspect of the CR Index Esh Group is seeking to achieve continuous improvement in providing robust support to its supplier network through reducing supplier payments days, sustainable development, support for vulnerable suppliers and LM3, the measure of effectiveness of a local procurement policy.

Esh Group endorses the Prompt Payment Code (PPC) which sets standards for best payment practises and is administered by the Chartered Institute of Credit Management.

“Esh Group is a collaborative supply chain partner which we’ve established a long-term working relationship with. Through a mutual commitment to maintaining high standards we’re able to achieve the best outcomes for both businesses.”

Gary Wilkinson
Civils Development Manager, Jewson Limited



Newcastle Eagles Basketball Star Andy Thomson joins Esh Group



CORPORATE GOVERNANCE

Guiding Principles

The Group and the 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 minimum, an annual review of all key internal controls including financial, operational, compliance and risk management systems.

Esh Group provides all employees with a comprehensive Employee Handbook which explains required standards of behaviour and attitude, together with procedures and processes, thereby providing a comprehensive system of ethical governance.

The Board

The Board of Directors sets policy and takes responsibility for the Group's performance in relation to safety, health, the environment, business ethics, risk management, human rights and other social issues. This includes overall direction and strategy, major projects to be undertaken, acquisitions and entry to new markets.

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.

Esh Group's businesses are managed on a decentralised basis. Whilst the Board has retained reserve powers, the day to day management of Group companies lies with the business leaders within defined authority limits. The management philosophy is to empower the business leaders to take the actions necessary to deliver each company's operational business objectives within the Group structure.

The Board has a schedule of matters reserved for its approval, covering areas such as company strategy, the appointment of key executives, approval of accounts, approval of the business plan, budget and financial policies, reviewing operating results, risk management strategy, ensuring the effectiveness of governance practices, succession planning and significant capital expenditure.

The Board meets at least ten times in the year and is supplied in a timely manner with information which enables it to discharge its duties.

Esh Group operates a standard approach to internal controls and accounting policies to ensure a consistent application across all Group companies. All Group subsidiaries are required to adhere to specified internal control procedures.

The Board continually looks to enhance its management assurance programme appropriate to the developing and emerging needs of the Group.

Audit Committee

The Audit Committee comprises the non-executive directors. The Committee meets twice each year and the external auditors attend by invitation. The Committee provides a forum by which external auditors report to the Board and is responsible for reviewing the scope and results of the audit.

To reinforce its management assurance programme, and also in view of the increasingly diverse and expanding nature of the Group, the Board of Directors has established a small internal audit function to, in the main, ensure compliance with accounting and internal control procedures, as well as provide more regular assurance as to the effective operation of key financial processes.

Remuneration Committee

The Remuneration Committee consists of three non-executive directors, including the Group Chairman, and has access to independent advice where considered necessary.

The function of the Committee is to attract, retain and motivate the executive directors and to review their remuneration. Remuneration packages are designed to align the interests of the executive directors with those of the shareholders.

Employee Share Ownership Scheme

Employees with at least three years' service have the opportunity to participate in the ownership of the business through the Employee Share Ownership Scheme.

Policies and Procedures

Comprehensive employment policies and training programmes are in place. These are designed to provide support to anyone seeking advice or help on technical matters and to provide personal development training. Policies and procedures are detailed in the Employee Handbook which is provided to all employees.

Ethical Governance

Through the Ethical Governance policy the highest standards of integrity and accountability are put into practice by the Board and are expected to be adopted and adhered to by all company directors, employees and third parties, including sub-contractors and their employees.

A range of whistle blowing, anti-corruption and bribery policies and procedures supports a culture of open, honest and fair dealing. These policies and procedures are designed to minimise the risks of fraud or corruption occurring and to maximise the rate of detection and subsequent corrective action.



Apprentice Dean Wallace on site with Contracts Manager Jimmy Dodds



Showhome at Thinford Gardens, Spennymoor, Durham



Tennant Street Medical Practice



Deerness Fencing Winners of Sunderland in Bloom 2014

Health & Safety

Only by setting and maintaining the highest standards across the Group companies are we able to retain the trust of our clients and our people and the wider general public.

We work hard to make sure that Health and Safety policies are well communicated, understood, respected and implemented in order that we protect the health, safety and welfare of all of our stakeholders; customers, suppliers and public alike.

We operate a proactive monitoring system on all of our sites and premises. Esh Group companies are monitored by external accreditation organisations and Esh Construction is accredited to BS OHSAS 18001 and both Esh Construction and other group companies are accredited by several other construction monitoring schemes including UVDB (Utilities Vendors Database) and CHAS (The Contractors Health and Safety Assessment Scheme).

Site inspections measure the effectiveness of each project team in implementing policies and procedures. Key Performance Indicators (KPIs) are collated through monitoring three key areas: construction activities, documents and environmental. These are examined separately to ensure that weaknesses are identified immediately and that effort and resources are quickly directed to where required.

Health, safety and environmental KPIs are reported monthly at Board level for every Group company.



In 2014 the Group began rolling out a key programme encapsulating its core belief of Everyone Safely Home. This has been progressed by updating all Safety Documentation and the main

launch is scheduled to coincide with UK Safety Week commencing June 15th 2015.

ISO 50001

Esh Construction achieved ISO 50001 accreditation in 2013. This award provides public and private sector organisations with management strategies to increase energy efficiency, reduce costs and improve energy performance.

Environmental Policy

Esh Construction is externally accredited to ISO 14001 and our dedicated Environmental Management team ensures that the business maintains legal compliance and promotes good practice.

ISO 9001 2008

Esh Construction has held a quality management certification since 2003 and has updated its procedures as the accreditation has evolved. This provides assurance to both our customers and ourselves, as to the consistency and high quality of our products and services.

DIRECTORS AND ADVISORS

Michael Hogan, Non-Executive Chairman

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. Separately, he is a Director of St Cuthbert's Care.

Austin Donohoe, Non-Executive Chairman, retired at the end of December 2014

Appointed Non-Executive Chairman in 2004, Austin has been a Non-executive Director of the Group since 2001. He is also Executive Director of regional charity St Cuthbert's Care.

Brian Manning, Chief Executive

Brian joined Lumsden & Carroll as General Manager in 1990 and was appointed Managing Director in 1991. Following the formation of Esh Holdings in 1999, Brian became Group Managing Director and is now Group Chief Executive.

Brian is actively involved in the communities in which we work and holds the following positions outside of the Group; Vice-President, Board and Council Member North East Chamber of Commerce, Chairman of Durham Committee North East Chamber of Commerce, Board Member Changing Lives, Board Member Northumberland Arch, Advisory Board Member Business Durham, Board Member Castle View Enterprise Academy member of the Regional Leadership team for BITC and Regional Council of CBI.

Andy Radcliffe, Financial Director & Company Secretary

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 a number of industry sectors and was awarded Yorkshire Finance Director of the Year in 2009.

Tony Carroll Snr, Non-Executive Director

A Founder Director, Tony formed Lumsden & Carroll in 1970 with Jack Lumsden. Tony is a well-recognised and respected figure among the construction fraternity and was responsible for the business' on-site operations before his retirement.

John Davies, Executive Director

John joined Lumsden & Carroll in 1990 and was appointed Managing Director in 2002. In 2006, he was additionally appointed Executive Director for Esh Group's construction

businesses and in 2011 became Managing Director of Esh Construction having been Group Operations Director of the contracting companies for the previous two years. John was appointed to the Board of Constructing Excellence in 2013.

Jack Lumsden, Non-Executive Director

Jack is a Founder Director, forming Lumsden & Carroll with Tony Carroll in 1970. Before his retirement, Jack provided managerial support to the operational side of the business that was handled by Tony.

Jack is a past Regional Chairman of the Civil Engineering Contractors Association North East and is Chairman of Lumsden & Carroll Construction.

John Walker, Non-Executive Director

Before retirement John was Chief Executive of English Partnerships. He has extensive experience of the property and housing sectors and has held a wide range of directorships throughout his career in both the public and private sectors. In addition to Esh Group John is on the boards of Wynyard Park and Gentoo Group, he became Chairman of the latter in 2013. He is a Commissioner for English Heritage and was awarded a CBE in 2009 for services to Regeneration.

Esh Group is a trading name of Esh Holdings Limited.

Company secretary of Esh Holdings Limited

Andy Radcliffe

Independent auditor

PricewaterhouseCoopers LLP
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Legal advisors

Muckle LLP
Norham House
12 New Bridge Street West
Newcastle upon Tyne
NE1 8AS

Swinburne Maddison
3-5 North Bailey
Durham
DH1 3EY

Bond Dickinson
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Bankers

Barclays Bank PLC
PO Box 378
71 Grey Street
Newcastle upon Tyne
NE99 1JP

HSBC
110 Grey Street
Newcastle upon Tyne
NE1 6JG

Handelsbanken
Ground Floor
Winder House
Kingfisher Way
Stockton-on-Tees
TS18 3EX





Tritech, Ulverston

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2014.

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.

Business review

A balanced and comprehensive analysis of the development and performance of the group's business during the financial year and of the position at the end of the year is included in the chief executive's report.

Principal risks and uncertainties

Whilst the economic climate continues to show signs of improvement, management remains vigilant to emerging risks, and will continue to adapt the organisation to the environments in which it operates.

The Group maintains a diverse range of operations across a number of complimentary sectors, and whilst there

continues to be challenges in a number of these sectors, the Board remains confident that the diversity of clients and services, and the flexibility of resources within the group will maximise opportunities and enable effective management of risk within 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.



Trivselhus by Esh at The Grange, Bowburn

Risk description	How it is mitigated
<p>Project execution</p> <p>The Group undertakes construction, refurbishment and maintenance projects. We need to continue to deliver these within programme 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>
<p>Tendering</p> <p>Through our different business units we seek to win profitable work through a large number of competitive tenders.</p> <p>This depends on our ability to price and add value in our tender offering, driven by an efficient operating model, and a clear focus on quality delivery and added value.</p>	<p>All bids are subject to proven, rigorous estimating and tendering processes within a defined framework, using skilled resources.</p> <p>We have delegated authority levels for approving all tenders and a formal tender review process.</p> <p>We undertake reviews following both successful and unsuccessful tenders to ensure we learn from them and apply those lessons to future tenders.</p> <p>Our culture of added value within the communities in which we work provides a point of differentiation from many of our competitors, producing upper quartile tender success rates.</p>
<p>People</p> <p>We need to recruit and retain the best management and employees. These staff should have appropriate competencies and also share our values and behaviours.</p>	<p>We measure all potential recruits for key roles in the organisation against a competency framework. We undertake staff appraisals to review the roles, competencies, performances and potential of personnel. We have a well-developed succession planning process to identify and develop high potential personnel to fill key roles. These plans are reviewed regularly and discussed at all levels within the organisation and by the Board. We have appropriate remuneration and incentive packages to help us attract and retain key employees, including employee share ownership. We also use a well connected group of recruitment consultants and advisors to ensure we connect with the best talent within the industry.</p>
<p>Supply chain</p> <p>We are reliant on our supply chain partners for successful operational delivery, which means we are also exposed to a variety of risks in the supply chain.</p>	<p>Our strategic supply chain management processes, where possible, aligns us to large, robust suppliers whose access to material and resources is preferred given their size and scale; a factor equally supported by our own size, regional presence and buying capacity.</p> <p>We develop long term relationships with our subcontractors, working closely with them to understand their operations and work with them to ensure their capacity planning can be optimised.</p> <p>We aim to work as much as possible with preferred suppliers and subcontractors who undergo rigorous, risk-based prequalification processes and share our values. We aim to avoid becoming over reliant on any one supplier or subcontractor.</p>



Risk description	How it is mitigated
<p>Health and safety</p> <p>The Group works on projects which require continuous monitoring and management of health and safety risks.</p>	<p>The Group has a highly developed health, safety and environmental process. This process is underpinned by documented procedures and working practices. Policy is set by the Board, and cascaded through the organisation via a team of dedicated health and safety professionals, who continually audit and review on site operations for compliance, as well as liaising with external verification bodies.</p> <p>Accident frequency rates remain well below the industry average.</p> <p>Health and safety remains the first agenda item at all board meetings, and is a critical focus for all directors.</p>
<p>Regulatory, market and economic</p> <p>The Group operates in markets and segments that are influenced by a range of external factors. The resilience and performance of the construction sector, and the housing market in particular, is at risk from regulatory change, political change and the impact of monetary policy and financial system regulation</p>	<p>The Group maintains a diversified portfolio of operating activities, some of which behave in a counter cyclical manner, and most of which are aligned to well funded, blue chip client bases</p> <p>The housing market continues to show signs of recovery, and whilst a reasonable proportion of the group continues to be associated with this sector, the group has considerably de-leveraged its association with the sector from where it was before the recession.</p>

Comments on risks specific to the individual companies and business streams which make up the group are also included in the chief executive's report.

Key performance indicators

Analysis of key performance indicators reported to the Board and staff at frequent and regular intervals is included in the chief executive's report.

Future developments

With economic recovery starting to gain momentum, a key focus for the group will be to ensure that growth can be managed effectively by way of leveraging the organisational changes implemented over recent years, combined with a process of continuous improvement and refinement to our operating model in order to meet the growth challenges that lie ahead.

Signed on behalf of the Board

A E Radcliffe
 Director
 29th May 2015

Esh House
 Bowburn North Industrial Estate
 Bowburn
 Durham
 DH6 5PF



Housing at Green Howards Way, Richmond

DIRECTORS' REPORT

The directors present their directors' report for the year ended 31 December 2014.

Financial instruments

The Group's financial instruments comprise borrowings (principally bank overdraft, bank loans and obligations under finance leases), 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, bank borrowings and finance leases. The Group's principal borrowings comprise ring-fenced bank loans in Dunelm Homes. 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

As regards liquidity, throughout the year the group's policy has been to maintain a mix of short, medium and long term facilities. Flexibility is achieved by the use of a Group composite banking arrangement. It is the group's policy to maintain undrawn agreed borrowing facilities in order to provide flexibility in the management of the group's liquidity.

The current Dunelm Homes banking facilities were renewed on 19 December 2013, with maturity now due on 30 June 2015. Further details are included in the note on accounting policies and in note 16. The business is performing well against all of the covenants within the new facility. These borrowings continue to be discrete to Dunelm Homes Limited and, with the exception of Dunelm (Bowburn) Limited (a wholly owned subsidiary of Dunelm Homes Limited), are not subject to any cross guarantee or security over the assets of any other Group companies.

During 2014, the group entered into a new, £6m, 2 year banking facility with the existing lenders to Dunelm Homes, to fund further housing developments. These facilities, which are due to mature on 30th June 2016, contain a maximum £1m recourse guarantee from the Group. The funded entity continues to perform well



Esh Group basketball teams unite

against all covenants and conditions set by the lenders, such that the directors are confident that the guarantee will not be called upon.

At 31 December 2014 the group also had cash at bank and in hand of £32.4m which is expected to be more than sufficient to fund the group's future working capital needs.

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.

Proposed dividends

Dividends paid during the year comprise final dividends of £1.5m in respect of the previous year.

Market value of land

In the opinion of the directors, the market value of the land of the group, including investment properties, is not materially different from their net book value.

Directors

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

- A J Carroll
- J P Davies
- A Donohoe (Resigned 9th April 2015)
- M F Hogan
- J G Lumsden
- B Manning
- A E Radcliffe
- J R Walker

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





Paul Redman, Construction Director of Esh Build, on Site at Vela HQ

Employees

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

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 and are encouraged to invest in the company through participation in a share ownership 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 in respect of the annual report and the financial statements

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 they have elected to prepare the group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Parent Company and of their profit or loss for that period. In preparing each of the group and Parent Company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Disclosure of information to auditor

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

Auditor

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

By order of the board

A E Radcliffe

Company secretary
29th May 2015

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESH HOLDINGS LIMITED

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Esh Holdings Limited's financial statements comprise:

- the Consolidated balance sheet as at 31 December 2014;
- the Company balance sheet as at 31 December 2014;
- the Consolidated profit and loss account for the year then ended;
- the Reconciliation of movements in shareholders' funds for the year then ended;
- the Statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider

necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jonathan Greenaway (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

29 May 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Turnover					
Group and share of joint ventures from continuing operations			261,020		193,344
Turnover from acquisitions			15,757		-
Less: share of joint ventures' turnover			(16)		(887)
Group turnover	1		276,761		192,457
Cost of sales			(254,377)		(179,343)
Gross profit					
Administrative expenses			22,384		13,114
Other operating income			(10,781)		(7,956)
			-		64
Operating profit					
Attributable to continuing operations		11,755	11,603	5,222	5,222
Attributable to acquisitions		(152)		-	
Share of operating loss in joint ventures			(8)		(104)
Total operating profit					
Profit on sale of fixed assets:			11,595		5,118
Group		337		57	
Joint ventures		-		193	
			337		250
Dividends received			68		-
Impairment of fixed asset investments			(258)		(366)
Interest receivable and similar income	5		524		404
Interest payable and similar charges:					
Group	6	(2,741)		(2,175)	
Joint ventures		-		(3)	
			(2,741)		(2,178)
Profit on ordinary activities before taxation					
Tax on profit on ordinary activities	2		9,525		3,228
	7		(1,925)		(897)
Profit on ordinary activities after taxation					
Minority interests	20		7,600		2,331
			9		(2)
Profit for the financial year					
	19		7,609		2,329

All results derive from continuing activities. The company had no recognised gains and losses other than those reflected in the profit and loss account.

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.



CONSOLIDATED BALANCE SHEET

as at 31 December 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets					
Goodwill	9		59		85
Negative goodwill	9		(1,392)		-
Tangible assets	10		15,746		12,493
Investment properties	11		1,349		1,442
Investments	12				
Investments in joint ventures					
Share of gross assets		1,809		1,899	
Share of gross liabilities		(2,055)		(1,950)	
		(246)		(51)	
Loans to joint ventures		1,998		2,283	
			1,752		2,232
			17,514		16,252
Current assets					
Stocks	13	17,858		21,222	
Debtors: amounts falling due within one year	14	42,238		34,902	
Debtors: amounts falling due after more than one year	14	2,555		2,600	
Cash at bank and in hand		32,360		27,631	
		95,011		86,355	
Creditors: amounts falling due within one year	15	(70,191)		(48,100)	
Net current assets			24,820		38,255
Total assets less current liabilities			42,334		54,507
Creditors: amounts falling due after more than one year	16	(5,034)		(23,047)	
Provisions for liabilities	17		-		(159)
Net assets			37,300		31,301

CONSOLIDATED BALANCE SHEET

as at 31 December 2014 (continued)

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Capital and reserves					
Called up share capital	18	25,185		25,185	
Share premium account	19	3		2	
Revaluation reserve	19	-		30	
Employment benefit trust reserve	19	(654)		(645)	
Profit and loss account	19	12,240		6,184	
Shareholders' funds			36,774		30,756
Minority interests	20		526		545
Total shareholders' funds			37,300		31,301

The financial statements on pages 29 to 61 were approved by the board of directors on 29 May 2015 and were signed on its behalf by:

M Hogan
Non-Executive Chairman

Company registered number: 03724890



COMPANY BALANCE SHEET

as at 31 December 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		6,634		6,352
Investment properties	11		386		579
Investments	12		7,243		7,733
			14,263		14,664
Current assets					
Debtors: amounts falling due within one year	14	10,225		4,157	
Debtors: amounts falling due after more than one year	14	2,132		2,300	
Cash at bank		3,358		13,255	
		15,715		19,712	
Creditors: amounts falling due within one year	15	(2,574)		(6,489)	
Net current assets			13,141		13,223
Total assets less current liabilities			27,404		27,887
Creditors: amounts falling due after more than one year	16	(2,407)		(2,596)	
Provisions for liabilities	17	(196)		(183)	
Net assets			24,801		25,108
Capital and reserves					
Called up share capital	18		25,185		25,185
Share premium account	19		3		2
Employment benefit trust reserve	19		(654)		(645)
Profit and loss account	19		267		566
Total shareholders' funds			24,801		25,108

The financial statements on pages 29 to 61 were approved by the board of directors on 29 May 2015 and were signed on its behalf by:

M Hogan
Non-Executive Chairman

Company registered number: 03724890

CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31 December 2014

	Note	2014	2013
		£'000	£'000
Group operating profit		11,603	5,222
Depreciation, amortisation and impairment charges		1,291	1,835
Decrease/(increase) in stocks		4,759	(3,419)
Increase in debtors		(1,972)	(3,931)
Increase in creditors		1,701	8,432
Net cash inflow from operating activities		17,382	8,139
Returns on investments and servicing of finance	24	(1,965)	(721)
Acquisitions		132	-
Taxation		(1,993)	(465)
Capital expenditure	24	(511)	79
Dividends paid		(1,553)	(1,066)
Cash inflow before financing		11,492	5,966
Financing	24	(6,763)	(5,345)
Increase in cash in the year		4,729	621

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

for the year ended 31 December 2014

	2014	2013
	£'000	£'000
Increase in cash in the year	4,729	621
Cash outflow from decrease in debt and lease financing	6,763	5,275
Change in net debt resulting from cash flows	11,492	5,896
New finance leases	(3,596)	(2,891)
Other non cash changes	(38)	(1,056)
Movement in net funds in the year	7,857	1,949
Net funds at the start of the year	2,762	813
Net funds at the end of the year	10,619	2,762



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2014

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Profit for the financial year	7,609	2,329	1,254	1,525
Dividends on shares classified in shareholders' funds	(1,553)	(1,066)	(1,553)	(1,066)
Retained profit/(loss)	6,056	1,263	(299)	459
New share capital subscribed (net)	1	2	1	2
Revaluation reserve	(30)	-	-	-
EBT share transactions	(9)	(72)	(9)	(72)
Net addition to/(reduction in) shareholders' funds	6,018	1,193	(307)	389
Opening shareholders' funds	30,756	29,563	25,108	24,719
Closing shareholders' funds	36,774	30,756	24,801	25,108

STATEMENT OF ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom and under the historical cost accounting rules, modified to include the revaluation of investment properties.

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 chief executive's report, the strategic report and the directors' report.

The Group recorded a profit on ordinary activities before taxation for the year of £9.5m.

The bank borrowings of Dunelm Homes Limited, which total £18.3m at the end of the year, are discrete to Dunelm Homes Limited and secured on the assets of Dunelm Homes Limited and by means of a cross guarantee over the assets of Dunelm (Bowburn) Limited. These bank borrowings are not subject to any cross guarantees or security over the assets of any other Group companies. Neither are there any other financial guarantees provided by other Group companies to Dunelm Homes Limited.

At the end of the year the group had cash at bank of £32.4m and bank and finance debt of £21.7m, with £18.3m of this debt relating to the bank borrowings of Dunelm Homes Limited. Details of the group's borrowings are included in notes 16 and 17.

Going concern – Dunelm Homes Limited

The financial statements of Dunelm Homes Limited have been prepared on a basis other than going concern which the directors believe to be appropriate for the reasons set out below. Adjustments have been made to the financial statements to reclassify fixed assets and long-term liabilities as current assets and liabilities. No further adjustments were necessary to reduce assets to their realisable values or to provide for liabilities arising from the decision.

The directors have taken the strategic decision to commit to a plan which involves the company fully developing and completing all remaining sites by the estimated date of 30th June 2015, which is also the date on which the company's banking facilities will mature. This plan has led to a successful financial outcome for all parties involved. It is the directors current intention that no new land for developments will be acquired. However, the directors will continue to assess the position should they wish to explore future opportunities.

Going concern – Group companies other than Dunelm Homes Limited

The majority of the remaining Group undertakings, including the Parent Company, Esh Holdings Limited, but excluding Dunelm Homes Limited and Dunelm (Bowburn) Limited, are subject to Group cross guaranteed banking arrangements. The remainder of 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 £24.3m (excluding Dunelm Homes) at the year end, and cash generated from ongoing trading.

Going concern – Group

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2014. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account, and its interest in their net assets is included in investments in the consolidated balance sheet.

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



Goodwill and negative goodwill

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

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging/(crediting) the unamortised amount of any related goodwill/(negative goodwill).

Investments

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Tangible assets and depreciation

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.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19:

- Investment properties are revalued annually at open market values. All surpluses and deficits arising on valuation are taken directly to revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and
- No depreciation is provided in respect of freehold investment properties.

This treatment, as regards certain of the group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and

the amount which might otherwise have been shown cannot be separately identified or quantified.

Impairment of assets and goodwill excluding investment properties

The carrying amounts of the group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Government grants

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

Leases

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

Post retirement benefits

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

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 profit and loss account in accordance with the rules of the scheme.

Stocks

Housebuilding stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling prices less all estimated costs of completion and 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 net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

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 profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Classification of financial instruments issued by the group

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

- they include no contractual obligations upon the company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or Group); and
- 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.

Turnover

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

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

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

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

Own shares held by Employee Benefit Trust

Transactions of the company sponsored Employee Benefit Trust are treated as being those of the company and are therefore reflected in the Parent Company and Group financial statements. In particular, the trust's purchases of shares in the company are debited directly to equity.

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.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. Analysis of turnover

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

	2014 £'000	2013 £'000
Construction	148,101	121,383
Housing and land	34,599	20,924
Property services	93,019	49,237
Business support	1,042	913
Group turnover	276,761	192,457

2. Notes to the profit and loss account

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Owned	917	924
Leased	1,233	885
Amortisation of goodwill	26	26
Amortisation of negative goodwill – Border Construction	(885)	-
Hire of plant and machinery - operating leases	11,527	7,826
Hire of other assets – operating leases	1,737	1,621

The cost of sales attributable to acquisitions in the year totalled £15.4m of the total £254.4m and the administrative expenses totalled £0.5m of the total £10.8m.

Auditor's remuneration

	2014 £'000	2013 £'000
Audit of these financial statements	28	30
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	90	80
Taxation compliance services	27	23
Other tax advisory services	-	7
Other corporate finance services	7	15
All other services	-	2



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

3. Remuneration of directors

	2014 £'000	2013 £'000
Directors' emoluments	894	859
Company contributions to money purchase pension schemes	37	106

The aggregate emoluments of the highest paid director were £348,200 (2013: £280,000), and company pension contributions of £5,667 (2013: £68,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	3

2 (2013: 2) of the company's directors benefitted from qualifying third party indemnity provisions.

4. Staff numbers and costs

	Number of employees	
	2014	2013
Production staff	543	440
Administrative staff	562	440
	1,105	880

The aggregate payroll costs of these persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	36,343	28,553
Social security costs	3,736	2,953
Other pension costs (note 23)	996	744
	41,075	32,250

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

5. Interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest	524	404

6. Interest payable and similar charges

	2014 £'000	2013 £'000
On bank loans and overdrafts	2,602	2,083
Finance charges payable in respect of finance leases and hire purchase contracts	139	92
	2,741	2,175

7. Taxation on profit on ordinary activities

	£'000	2014 £'000	2013 £'000
UK corporation tax			
Current tax on income for the year	1,943		830
Adjustments in respect of prior years	(35)		7
		1,908	837
Share of joint ventures' current tax		-	(8)
Total current tax		1,908	829
Deferred tax (see note 17)			
Origination/reversal of timing differences	18		62
Effect of decreased tax rate	-		-
Adjustments in respect of prior years	(1)		6
Total deferred tax		17	68
Tax on profit on ordinary activities		1,925	897



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

7. Taxation on profit on ordinary activities (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2013: higher) than the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	9,525	3,228
Current tax at 21.49% (2013: 23.25%)	2,047	751
Effects of:		
Capital allowances for the period in excess of depreciation	(116)	8
Other timing differences	(116)	(57)
Expenses not deductible for tax purposes	128	120
Adjustments to tax charge in respect of previous periods	(35)	7
Total current tax (see above)	1,908	829

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 24% to 23% became effective from 1 April 2013 and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the group's future current tax charge accordingly.

8. Dividends

The aggregate amount of dividends paid in the year comprises:

	2014 £'000	2013 £'000
Non voting preference shares of £1 each		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	467	469
Rights issue	489	-
Voting preference shares of £1 each		
Final dividend paid in respect of prior year but not recognised as liabilities in that year	597	597
	1,553	1,066

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

9. Intangible assets

Group

	Goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 January 2014	1,128	-	1,128
Acquisition – Border Construction	-	(2,277)	(2,277)
Disposals	-	-	-
At 31 December 2014	1,128	(2,277)	(1,149)
Amortisation			
At 1 January 2014	1,043	-	1,043
Charged in year	26	(885)	(859)
At 31 December 2014	1,069	(885)	184
Net book value			
At 31 December 2014	59	(1,392)	(1,333)
At 31 December 2013	85	-	85

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.

Negative goodwill arose on the acquisition of Border Construction Limited during the year, the detail relating to the acquisition is as follows:

Tangible assets	845
Stocks	1,396
Debtors: amounts falling due within one year	5,077
Creditors: amounts falling due within one year	(5,173)
Net assets acquired	2,145
Cash consideration	132
Negative goodwill	2,277

This is being released to the profit and loss account in the periods in which the fair value of the non-monetary assets was recovered, approximately over five years.

The Company has no intangible assets.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

10. Tangible assets

Group	Freehold land and buildings £'000	Leasehold properties £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2014	6,150	-	15,081	21,231
Border acquisition	511	-	334	845
Additions	331	-	4,732	5,063
Disposals	-	-	(2,327)	(2,327)
At 31 December 2014	6,992	-	17,820	24,812
Accumulated depreciation				
At 1 January 2014	233	-	8,505	8,738
Charge for year	59	-	2,091	2,150
On disposals	-	-	(1,822)	(1,822)
At 31 December 2014	292	-	8,774	9,066
Net book value				
At 31 December 2014	6,700	-	9,046	15,746
At 31 December 2013	5,917	-	6,576	12,493

Included in the total net book value of plant and machinery is £6,313,369 (2013: £4,284,500) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

10. Tangible assets (continued)

Group	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2014	6,139	1,594	7,733
Additions	330	201	531
Disposals	-	(101)	(101)
At 31 December 2014	6,469	1,694	8,163
Depreciation			
At 1 January 2014	223	1,158	1,381
Charge for year	50	180	230
On disposals	-	(82)	(82)
At 31 December 2014	273	1,256	1,529
Net book value			
At 31 December 2014	6,196	438	6,634
At 31 December 2013	5,916	436	6,352

Included in the total net book value of plant and machinery is £48,000 (2013: £118,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £59,000 (2013: £60,000).



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

11. Investment properties

	Group £'000	Company £'000
Valuation		
At 1 January 2014	1,442	579
Additions	132	-
Disposals	(193)	(193)
Impairment	(32)	-
At 31 December 2014	1,349	386

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.

In accordance with SSAP19 'Investment properties' the above properties are not being depreciated. All investment properties are freehold.

The historical cost of the group's investment properties is £1,350,000 (2013: £1,412,000).
The historical cost of the company's investment properties is £386,000 (2013: £579,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

12. Investments

Group	Shares in joint ventures £'000	Loans to joint ventures £'000	Shares in participating interests £'000	Loans to participating interests £'000	Total £'000
Cost					
At 1 January 2014	721	2,649	600	375	4,345
Additions	-	158	-	-	158
Repayments	(589)	(94)	-	-	(683)
At 31 December 2014	132	2,713	600	375	3,820
Provisions					
At 1 January 2014	-	(366)	(600)	(375)	(1,341)
Made during the year	-	(349)	-	-	(349)
At 31 December 2014	-	(715)	(600)	(375)	(1,690)
Share of post acquisition reserves					
At 1 January 2014	(772)	-	-	-	(772)
Disposal	589	-	-	-	589
Retained profits less losses	(195)	-	-	-	(195)
At 31 December 2014	(378)	-	-	-	(378)
Net book value					
At 31 December 2014	(246)	1,998	-	-	1,752
At 31 December 2013	(51)	2,283	-	-	2,232



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

12. Investments (continued)

Group	Shares in group undertakings £'000	Loans to subsidiaries £'000	Shares in in joint ventures £'000	Loans to to joint ventures £'000	Total £'000
Cost					
At 1 January 2014	26,553	332	721	1,891	29,497
Additions	-	-	-	50	50
Repayments	-	-	(191)	-	(191)
At 31 December 2014	26,553	332	530	1,941	29,356
Provisions					
At 1 January 2014	(20,309)	(332)	(530)	(593)	(21,764)
Made during the year	-	-	-	(349)	(349)
At 31 December 2014	(20,309)	(332)	(530)	(942)	(22,113)
Net book value					
At 31 December 2014	6,244	-	-	999	7,243
At 1 January 2014	6,244	-	191	1,298	7,733

At the end of 2014 the directors conducted a review of the carrying values of the company's investments in subsidiary undertakings. Where the estimated recoverable value of an individual company investment is less than its carrying value, an impairment charge has been recorded. As a result of this an impairment charge of £349,000 has been recognised in 2014 and charged against the company's profits. This impairment relates to the company's investment in Holborn Regeneration LLP. Recoverable amounts are based on value in use and the key assumption applied in the value in use calculations include a discount rate of 10% and approved cash flow forecasts to 31 December 2014. These projected cash flows assume no growth from 31 December 2014 into perpetuity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

12. Investments (continued)

The principal 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
Esh Construction Limited	100%	Civil engineering and building contractor
Border Construction Limited	100%	Civil engineering and building contractor
Border Construction (Holdings) Limited	100%	Civil engineering and building contractor
Sones Maintenance & Environmental Limited	100%	Landscaping contractor
Deerness Fencing Limited	100%	Fencing contractor
Esh Developments Limited	100%	Land and property development
Bartram Walker Limited	100%	Mechanical, electrical and plumbing contractor
Dunelm Homes Limited	100%	Housebuilder
Esh Homes Limited	100%	Housebuilder
Philadelphia Estates Limited ¹	*100%	
	+30%	Property letting
Philadelphia Properties Limited ¹	*100%	
	+30%	Property letting
Mechplant (North East) Limited	80%	Plant hire
Tursdale Business Park Limited ¹	41%	Property letting
Dunelm National Projects 2 Limited	100%	Construction training
Dunelm Property Services Limited ¹	100%	Social housing – refurbishment of new build
Esh Acorn Homes Limited ¹	100%	Housebuilder
Stephen Easten Building Limited ¹	100%	Commercial builder
Wilkinson Facilities Services Limited ¹	100%	Property and Facilities Management
Esh Communities Limited	100%	Non trading
Esh Education Limited	100%	Non trading
Lumsden & Carroll Construction (Northern) Limited ¹	100%	Commercial builder
Dunelm (Bowburn) Limited ¹	100%	Land and property development
Green Energies Limited ¹	90%	Mechanical, electrical and plumbing
ABC Rental Properties Limited ¹	100%	Property letting
Dunelm Homes (Seaham) Limited ¹	100%	Housebuilder
Dunelm National Projects Limited ¹	100%	Property development
Esh Remedios Limited	51%	Site investigation
Remedios Limited ¹	51%	Site investigation
Boathouse Lane Projects Limited ¹	100%	Land and property development
Venture Feethams Limited ¹	100%	Land and property development



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

12. Investments (continued)

The principal 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
Venture House 08 09 10 Limited ¹	100%	Dormant
Venture House RP Limited	100%	Dormant
David Wilkinson Building Contractors Limited ¹	100%	Dormant
SET Construction Projects Limited	100%	Dormant
Esh EBT Trustee Limited	100%	Non trading
Esh Green Limited ¹	100%	Non trading
Tursdale Recycling Limited	100%	Waste disposal and recycling
J Tonks (Transport) Limited	100%	Waste disposal and recycling
Tonks Recycling Limited	100%	Waste disposal and recycling
Joint ventures		
Esh Energy Limited ¹	49%	Renewable energy
Pure Renewable Energies Limited ¹	44%	Renewable energy
Micropump (NE) Limited	50%	Plant hire
Climathus Limited ¹	50%	Property development
Holborn Regeneration LLP	50%	Property development
Boathouse Lane (Freehold) Limited ¹	50%	Non-trading
Participating interests		
Esh Space The Park Limited ¹	15%	Property development
Venture Wallsend Limited ¹	49%	Dormant
M62 Developments Limited ¹	43%	Dormant
Esh Space Land Limited ¹	15%	Non trading

*voting +equity 'investment held indirectly

Investments are held directly by Esh Holdings Limited (except where noted). All holdings represent ordinary share capital all companies are incorporated in England.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

13. Stocks

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Raw materials and consumables	9,940	11,750	-	-
Work in progress	7,918	9,472	-	-
	17,858	21,222	-	-

14. Debtors

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade debtors	10,815	5,892	40	39
Amounts recoverable on contracts	28,679	26,751	-	-
Amounts owed by group undertakings	-	-	8,582	3,263
Deferred tax	242	-	-	-
Amounts owed by undertakings in which the company has a participating interest (note 26)	252	167	24	22
Corporation tax recoverable	-	-	1,104	366
Other debtors	2,877	3,607	2,260	2,492
Prepayments and accrued income	1,928	1,085	347	275
	44,793	37,502	12,357	6,457

Group 'other debtors' include £2,555,000 (2013: £2,571,000) due after more than one year. Company 'other debtors' include £2,132,000 (2013: £2,323,000) due after more than one year.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

15. Creditors: amounts falling due within one year

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank loans (note 16)	14,282	163	141	141
Obligations under finance leases and hire purchase contracts (note 16)	2,425	1,659	49	83
Payments received on account	1,732	4,262	-	-
Trade creditors	11,873	10,893	747	381
Amounts owed to group undertakings	-	-	361	4,912
Amounts owed to undertakings in which the company has a participating interest (note 26)	19	26	-	-
Corporation tax	794	461	-	-
Other taxation and social security	2,389	378	564	484
Other creditors	1,615	1,029	61	4
Accruals and deferred income	35,062	29,229	651	484
	70,191	48,100	2,574	6,489

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank loans	2,385	21,060	2,385	2,526
Other loans (note 26)	50	50	-	-
Obligations under finance leases and hire purchase contracts	2,599	1,937	22	70
	5,034	23,047	2,407	2,596

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

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

Analysis of debt

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Debt can be analysed as falling due:				
In one year or less, or on demand	16,707	1,822	190	224
Between one and two years	2,029	19,919	162	190
Between two and five years	1,183	1,165	422	444
In five years or more	1,822	1,963	1,822	1,962
	21,741	24,869	2,596	2,820

Amounts repayable in more than five years represent secured bank loans. Further details of bank loans are provided below:

Esh Holdings Limited

Esh Holdings Limited loans represent two mortgages:

- £1,172,450 facility with Handelsbanken, repayable in quarterly instalments to final maturity in November 2028
- £1,700,000 facility with Handelsbanken, repayable in quarterly instalments to final maturity in September 2017

The mortgages are secured on properties in Bowburn and Newton Aycliffe and are subject to interest at LIBOR + 1.75% per annum and LIBOR + 2.6% per annum respectively.

ABC Rental Properties Limited

ABC Rental Properties Limited loan of £258,170 with Santander, repayable in monthly instalments to final maturity on 30 November 2015. The loan is subject to interest at LIBOR + 2.25% and is secured by fixed and floating charges over the assets of ABC Rental Properties Limited.

Dunelm Homes Limited

The bank borrowings of Dunelm Homes Limited were renewed on 19 December 2013. The bank loan balance of £9,910,557 (including accrued exit fees) carries interest at LIBOR +3% per annum, repayable at final maturity on 30 June 2015.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

16. Creditors: amounts falling due within one year (continued)

The bank facility is secured by a debenture over the assets of Dunelm Homes Limited and a charge over its freehold land held for housing development. The facilities are also secured by means of a cross guarantee over the assets of the company's subsidiary undertaking, Dunelm (Bowburn) Limited. The facilities are not secured on any other Group assets

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Within one year	2,537	1,746	50	87
In the second to fifth years	2,651	1,973	22	72
	5,188	3,719	72	159
Less future finance charges	(164)	(123)	(2)	(6)
	5,024	3,596	70	153

17. Deferred taxation

	Group		Company	
			£'000	£'000
At 1 January 2014			159	183
Additions – Border Construction			(418)	-
Charge to the profit and loss account			17	13
At 31 December 2014			(242)	196

The elements of deferred taxation are as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Differences between accumulated depreciation and capital allowances	(242)	159	196	183

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

18. Called-up share capital

	2014		2013	
	Number of shares	£'000	Number of shares	£'000
Allotted, called up and fully paid				
Non-voting ordinary shares of 0.1p each	9,782,430	9	9,722,130	9
Variable dividend ordinary shares of £1 each	14,286,791	14,287	14,286,791	14,287
Voting preference shares of £1 each	6,203,396	6,203	6,203,396	6,203
Non voting preference shares of £1 each	4,685,650	4,686	4,685,650	4,686
	34,958,267	25,185	34,897,967	25,185

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.

Non-voting preference shares

Shareholders entitled to dividends as may be declared by the Board in preference to any other class of share. Not entitled to vote. On return of assets they are entitled to payment of capital only but in preference to all other classes of share. Redeemable at Company's option only.

Share transactions

On 4 April 2014, 60,300 0.1p non-voting ordinary shares were issued at 2p each.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

19. Share premium and reserves

Group	Share premium account £'000	Revaluation reserve £'000	Employment benefit trust reserve £'000	Profit and loss account £'000
At 1 January 2014	2	30	(645)	6,184
Profit for the year	-	(30)	-	7,609
Premium on shares issued	1	-	-	-
Dividends on shares classified in shareholders' funds	-	-	-	(1,553)
Share transactions by EBT	-	-	(9)	-
At 31 December 2014	3	-	(654)	12,240

Company	Share premium account £'000	Employment benefit trust reserve £'000	Profit and loss account £'000
At 1 January 2014	2	(645)	566
Profit for the year	-	-	1,254
Premium on shares issued	1	-	-
Dividends on shares classified in shareholders' funds	-	-	(1,553)
Share transactions by EBT	-	(9)	-
At 31 December 2014	3	(654)	267

Employee Benefit Trust (EBT)

At the end of the year the EBT held 229,743 preference shares of £1 each (2013: 229,743), 19,963 non-voting shares of 0.1p each (2013: 13,163) and 318,283 voting ordinary shares of £1 each (2013: 308,707) at a combined cost of £654,267 (2013: £644,551).

None of the shares held by the EBT are under option to employees and none of them have been conditionally gifted to any employees. The shares are available for distribution at the discretion of the Trustees of the Employee Benefit Trust and it is the intention of the EBT to distribute shares annually to facilitate the Employee Share Scheme.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

20. Minority interests

	Group £'000
At 1 January 2014	545
Share of loss for year	(9)
Dividends paid to minority interest	(10)
At 31 December 2014	526

21. Contingent liabilities

Flood damage arising at Newburn, Newcastle upon Tyne

The Group is maintaining an involvement with the issues arising from the flood damage at Dunelm Homes Limited's development at Newburn, Newcastle upon Tyne which occurred in the Autumn of 2012.

The directors remain wholly convinced that Dunelm Homes Limited did not cause, nor contribute to any of the damage caused to the development, and have spent considerable time compiling the basis for a legal claim for damages against those parties it believes to be culpable. During the year, the group has incurred some minor incidental costs in maintaining professional and technical dialogue with the key litigators seeking recovery for previous expenditure, with whom principles have been agreed for a nil cost litigation process whereby the insurers fund all costs to conclusion.

The directors believe this to be the most cost effective and efficient process by which to recover costs and losses incurred, and whilst this process may take some considerable time to reach conclusion, the directors and insurers believe they have a very solid basis upon which to pursue the litigation.

Based on the above the directors believe that there are no further unprovided costs to accrue to the company in respect of this issue. As no reasonable quantification of any cost recovery which might accrue from the litigation can be made at this stage no amounts have been recognised in these financial statements for any such cost recovery.

Banking arrangements

The Group has a composite banking arrangement. Under this arrangement all indebtedness incurred by certain of the group companies is secured by a cross guarantee enabling credit balances and deficit balances within the group to be offset. This composite arrangement does not include Dunelm Homes Limited which has its own discrete banking arrangements which are not subject to Group guarantee.

The Company is party to this composite banking arrangement. The net overdrafts which have been offset under this arrangement total £4.1m (2013: £7.2m) at the year end. Aggregate Group borrowings guaranteed by the company but not provided for in the company's financial statements amounted to £4.1m (2013: £7.2m).



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

22. Commitments

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Contracted	1,688	101	-	-

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

	2014 £'000	Land and buildings	2013 £'000	2013 £'000	Other 2013 £'000
		2013 £'000			
Group					
Operating leases which expire:					
Within one year	56	56	-	-	-
In the second to fifth years inclusive	36	36	354	-	-
	91	91	354		

With the exception of the above rent, all other operating losses are short term.

23. 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 £996,334 (2013: £744,000).

Contributions amounts to £279,690 (2013: £nil) 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 £147,516 (2013: £161,000).

Contributions amounting to £59,753 (2013: £nil) were payable to the scheme and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

24. Analysis of cash flows

	2014 £'000	2013 £'000
Returns on investment and servicing of finance		
Dividends received	262	-
Interest received	524	404
Interest paid	(2,601)	(1,027)
Interest element of finance lease rental payments	(140)	(92)
Dividends paid to minority interest	(10)	(6)
	(1,965)	(721)

	2014 £'000	2013 £'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,467)	(565)
Sale of tangible fixed assets	842	574
Purchase of investments	21	-
Purchase of investment properties	93	-
New loan made to joint ventures	-	(81)
Loan receipts from joint ventures	-	151
	(511)	79

	2014 £'000	2013 £'000
Financing		
Revaluation reserve	(30)	-
Share premium	1	-
Issue of ordinary share capital	-	2
Repayment in bank borrowings	(4,556)	(3,475)
Share transactions by EBT	(10)	(72)
Capital element of finance lease rental payments	(2,168)	(1,800)
	(6,763)	(5,345)



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

25. Analysis of net funds

	At beginning of year £'000	Cash flow £'000	Other non-cash changes £'000	At end of year £'000
Cash at bank and in hand	27,631	4,729	-	32,360
Debt due after one year	(21,110)	-	18,675	(2,435)
Debt due within one year	(163)	4,556	(18,675)	(14,282)
Finance leases	(3,596)	2,168	(3,596)	(5,024)
Total	2,762	11,453	(3,596)	10,619

The non cash change of £18.7m comprises £17.6m reclassification of the Dunelm Homes Limited bank loan, from non current to current liabilities, and £1.1m accrual of bank exit fees on the Dunelm Homes Limited bank loan.

The non cash change of £3.6m is new finance leases taken out during 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014 (continued)

26. Related party disclosures

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

	2014 £'000	Sales 2013 £'000	2014 £'000	Purchases 2013 £'000	2014 £'000	Debtors 2013 £'000	2014 £'000	Creditors 2013 £'000
J Tonks (Transport) Ltd	-	5	-	499	-	2	-	11
Tonks Recycling Ltd	34	10	34	-	3	2	3	-
Esh Space The Park Ltd	40	12	-	-	41	31	-	-
Micropump (NE) Ltd								
Trade	22	20	38	35	25	24	6	15
Loan	-	-	-	-	21	21	-	-
Pure Renewable Energies Ltd								
Loan	-	-	-	-	87	87	-	-
	96	47	72	534	177	167	9	26

The Group owes £50,000 (2013: £50,000) to the directors of Mechplant (North East) Limited. This loan is interest free.

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

No other company includes the result of the Parent Company and Group in its consolidated financial statements. The directors do not consider there to be an individual ultimate controlling party at the year end.



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