



Esh Holdings Limited Annual Report & Financial Statements

for the year ended 31 December 2019



Registered Number 03724890

Esh Holdings Limited
Annual report and financial statements
for the year ended 31 December 2019

Contents

Chairman's report	1
Strategic report	2
Corporate governance	10
Directors and advisors	13
Directors' report	15
Independent auditors' report to the members of Esh Holdings Limited	19
Consolidated statement of comprehensive income for the year ended 31 December 2019	22
Consolidated balance sheet as at 31 December 2019	23
Company balance sheet as at 31 December 2019	25
Consolidated statement of changes in equity for the year ended 31 December 2019	27
Company statement of changes in equity for the year ended 31 December 2019	28
Consolidated statement of cash flows for the year ended 31 December 2019	29
Statement of accounting policies	30
Notes to the financial statements for the year ended 31 December 2019	41

Chairman's report

Whilst the majority of this report is focussed on 2019, it would be remiss not to acknowledge the events of 2020 and the extreme disruption caused by the global pandemic. Undoubtedly the strategy that has been implemented and the corresponding actions undertaken through 2019 have placed the Esh Group in a strong position to navigate the turmoil of the crisis. However, we are extremely grateful to our clients, supply chain, employees and shareholders who have demonstrated strong support to our organisation over the last twelve months. In turn, we trust that the same stakeholders have also benefitted from the teamwork, community spirit and focus on Health and Safety which are at the core of the Esh Group and the projects we deliver.

Following the strategic review undertaken through 2018, the focus of 2019 was on implementation. In particular:

1. Continued focus on organisational simplification has seen us move to a three-stream structure with a strong market focus.
2. This rationalisation has allowed increased operational efficiencies to be delivered and for greater management accountability to be introduced.
3. Introduction of tighter bidding controls to eliminate problematic contracts and to ensure we remain focussed on our target markets.
4. Recruitment of key staff into our wider management team to strengthen us in growth sectors.
5. Promotion of Phil Brown, Executive Director for our Private Housing business, into the Senior Leadership team reinforces the importance of this sector to our strategy.
6. Continued divestment of our legacy development assets together with a refinancing of the business to a flexible £9m asset backed facility provides us with strong liquidity from which to move forward into 2020 and beyond.

As indicated in 2018, the 2019 results bear some of the costs of these changes. In particular, the results reflect the losses incurred in withdrawing from markets in Scotland and the North West in a responsible manner. I am pleased to say that these businesses were closed by the end of 2019 with all associated losses now recognised.

On a more relevant note, the results show a positive operating profit in our continuing operations. This is despite the results bearing the cost of the changes and the impact of some pre-existing low margin projects that our new bid controls should filter out. At December 2019 our balance sheet stood at over £33m with £15m in cash.

Our emphasis on targeting a business profile which reflects both cyclical and non-cyclical markets has proved invaluable as we face the financial challenges that the economy will experience in 2020 and beyond. It is worth noting that we have a strong presence in Roads, Water, Housebuilding and Social Housing sectors. All of these sectors have continued to perform well through 2020 and show no sign of abating. Further, we are well placed to support our public sector clients across the North East and Yorkshire as they benefit from government stimulus monies, underpinned by our local delivery teams and supply chains.

In summary, whilst the 2019 results reflect the costs associated with the tail end of our 2018 strategic reorganisation, we leave the year in a much stronger position with a leaner, more focussed and well financed business. We have clear strength in markets that are resilient to the impact of the COVID 19 pandemic and subsequent economic shock, and we look forward to supporting our loyal clients, supply chains and employees in the months and years ahead.

Thank you



Michael Hogan

Non-Executive Chairman

18th December 2020

Esh Holdings Limited

Strategic Report

The directors present their strategic report for the year ended 31 December 2019

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.

Overview

In the 2018 report we announced the outcome of our comprehensive strategic review. 2019 was a year focussed on implementing the strategy, something that was not without cost as the results reflect. However, thanks to the commitment and hard work of our staff we left 2019 in a much stronger position and well placed to face the challenges of COVID 19 and the subsequent economic fall-out.

Strategy Update

The 2018 strategy review identified five key components. The summary below, provides a reminder of these elements and an update on the actions undertaken through 2019.

1. **Organisational simplification.** During 2018 we reduced our structure down to six business units. Further consolidation through 2019 reduced this down to a final three businesses:

- Civil Engineering: delivering new build housing infrastructure through our heritage brand, Lumsden & Carroll, utility and environmental Services primarily through our Esh-Stantec Joint Venture, and large-scale infrastructure works through our Esh Civils brand.
- Living, Build, Facilities: providing new build and existing stock refurbishment to social housing clients, large building and construction services across a broad range of sectors including education, commercial, healthcare, leisure and industrial, and delivering facilities maintenance and small works to clients with multi location estates and properties.
- Private Housing: building and selling a range of quality new build homes across North East England through our Homes by Esh brand in conjunction with our joint venture partner.

During 2019 all operations in Scotland and North West England were fully closed and we divested our plant hire business, Mechplant North East, to the management team. Our business is now focussed on delivering from our key operations in the North East and Yorkshire.

2. **Operational Efficiency.** The consolidation of the above businesses has helped to deliver a more efficient organisation. We continued to invest in our back-office processes and IT through our project Gateway with the first solutions being rolled out through 2019.

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Strategy Update (continued)

3. **Capital Efficiency.** The main thrust of this action has been to divest legacy development assets which are not core to the business strategy. In particular, the Group recovered £6m of funding provided into the Philadelphia scheme following a refinancing of the joint venture which owns the scheme. We continued to reduce levels of aged debt and sold our obsolete premises in Cramlington. These actions, enabled us to refinance the business so that the needs of the business are now met through a flexible £9m asset backed borrowing facility.
4. **Managerial Accountability.** The restructuring of the business has enabled us to ensure that there is clear accountability for business performance right through to board level. This has enabled us to embed stronger bidding and financial controls within the business and we expect to see the benefits of this in the years ahead.
5. **Talent Assessment.** Through 2019 we strengthened our management teams through recruitment and development and continue to monitor/develop talent at all levels of the organisation.

Underpinning these five components is our focus on industry leading Health, Safety, Environmental and Quality systems and the Social Value agenda that is at the heart of our organisation.

Strategic Actions

Key strategic actions are:

Civils Business

- Maintain a healthy balance of turnover across both cyclical and non-cyclical sectors.
- Increase average contract size through securing larger infrastructure projects.
- Grow our Yorkshire operation.

Living, Build, Facilities Business

- Increase average contract size and quality through more selective bidding.
- Improve competitiveness through improved supply chain engagement.
- Leverage frameworks to align clients with our broader social value offering.
- Drive our land led pipeline in the Social Housing sector.

Private Housing Business

- Expand number of sites through our Joint Venture arrangements.
- Improve capital efficiency through the development cycle.
- Drive cost efficiency through standardisation of product offering.

Operational Excellence

- Drive improvements in quality and on time delivery through improved programme management processes.
- Drive a lean overall operating cost model, leveraging investment in process and technology.

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Strategic Actions (continued)

- Recruit, retain and develop 'Grade A' talent.

Social Value

- Drive the social value agenda amongst clients to influence local procurement.
- Refresh our social value offering to maintain our leadership position in a post COVID world.
- Enhance our communications to demonstrate our delivered social value success.

The Market

Demand remains relatively strong in our main markets. Work in the utilities and environmental sector is largely recession proof. We continue to support Northumbrian Water with our services recently being expanded to cover a broader geography.

It is clear that general infrastructure will remain a key target for government stimulus monies as it seeks to rejuvenate the economy and deliver on its 'levelling up' agenda. Our largest ever single project, for Sunderland City Council on phase 3 of their transport corridor has progressed well through 2019 and 2020.

Demand for new housing stock, both private and social, remains strong and is being supported by government initiatives. The key constraint in this market is the availability and affordability of development land. During 2019 Homes by Esh saw good sales at two sites in Darlington and a new site at Chilton Moor, with build out commencing on two other new sites in Darlington. We are active in the Social Housing sector across the North East and Yorkshire with 20 sites active through 2019.

The commercial build sector remains the softest of our key sectors and is the most vulnerable to recession. Ongoing projects in 2019 include the Iron Works development in Central Leeds and Lower Steenberg's Yard Ouseburn Newcastle, both for PFP igloo.

Brexit, of course remains a notable risk, with the potential to create considerable headwinds until matters settle down. We have been preparing internally for a potential no deal outcome, and whilst the macro impact of this is still difficult to predict, we have focussed on the things we can control, and are reassured that alongside our supply chains and key clients we are ready and able to react to most eventualities.

Constructing Local

We are passionate about our communities and committed to delivering high-quality, meaningful engagement which makes a real difference to people across our operational areas.

As a Queen's Award winning award-winning, socially responsible organisation we are committed to delivering maximum social and economic benefit for our clients and their communities. We are committed to local employment, the local economy, local education and engagement and have a dedicated team responsible for the delivery of four main outcomes of our 'Constructing Local' Social Value strategy:

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

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Constructing Local (continued)

Working with our business development, bid writing and construction management team, we prepare tailored social and economic value offers for our clients as part of the procurement process, ensuring our resources are used proportionality.

Key performance indicators

	2019	2018
Turnover, including share of joint ventures from continuing operations	£212.6m	£186.5m
Change in turnover from continuing operations	13.4%	1.3%
Gross profit margin from continuing operations	5.4%	3.5%
Operating profit from continuing operations	£0.8m	£0.5m
Profit before taxation from continuing operations attributable to owners of the parent	£0.2m	£1.3m
Cash at bank and in hand	£15.3m	£13.3m
Net cash generated from/(used in) operating activities	£11.5m	(£2.1m)

Business Review

Continuing operations reported an in year operating profit of £0.8m on turnover of £213m which, whilst being below our aspirations, is set against a year of transition. The final costs associated with the close out of our operations in Scotland and the North West result in losses in discontinued operations of £2.8m, and an overall operating loss of £2.0m.

Loss before tax of £2.9m is impacted by £3.1m on discontinued operations with pre-tax profit on continuing operations standing at £0.2m.

The cash flow for the year shows a net cash flow before financing of £13.8m. This benefited from the previously mentioned £6.0m loan repayment from the Philadelphia Estates Joint Venture, but has put the group in a position where it was able to refinance and deliver greater capital efficiency.

As a consequence of this positive cash flow, we were able to refinance onto a flexible £9.2m asset backed facility. Existing Hire Purchase, Term Loan and RCF facilities were settled as part of the refinance. Overall net movement in financing in the year was a reduction of £11.8m.

Closing Net Assets were £33.1m of which £15.3m was in cash.

Esh Holdings Limited

Future Developments - Financial Year 2020 Outlook

The Board continues to carefully monitor market dynamics within the construction sector and whilst at present conditions appear generally stable, certain sectors have individual challenges that have the potential to impact upon performance. Consequently, the Board remains focussed upon maintaining a well-balanced portfolio of operations spanning cyclical and non-cyclical sectors of the market, ensuring we do not stray from our core skills, maintaining positive cash flow and strong liquidity, investing in our people and driving the continuous improvement of process, systems and technology.

Clearly, 2020 has been a year which nobody could have predicted at the outset. The impact of COVID 19 on our lives has led us to operate in a way that we would never have expected. With our strong culture of Health and Safety we have adapted our standards, practices and processes to allow the business to continue to function effectively. The safety of our employees, our supply chain and the wider community remain paramount in all we do.

Whilst concerns exist that some shortages of building supplies may occur, we have yet to see any serious disruption. Liquidity has been good through 2020 and we continue to be vigilant in this area.

The fact that the Group entered 2020 with a strong order book and supportive clients has enabled the business to weather the crisis thus far and we are optimistic that it will continue to do so into 2021, emerging stronger at the other side.

Principal risks and uncertainties

Market conditions within the construction industry remain challenging, although the dynamics are varied across different sectors. Consequently, 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. 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 across all of the sectors in which the Group operates.

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

Esh Holdings Limited

Risk description	How it is mitigated
<i>Project execution</i>	
<p>The Group undertakes construction, refurbishment and maintenance projects. We need to continue to deliver these within programmes and match or exceed clients' requirements, profitably and within agreed financial parameters.</p> <p>Successful delivery of many of these projects depends on the successful implementation and maintenance of a range of operational and commercial procedures and controls.</p>	<p>Each business unit has defined operating procedures to address the risks inherent in project delivery. Furthermore, a well-established commercial and financial risk management framework is in operation, using structured review meetings and reporting, with key risks identified early in the project delivery.</p> <p>We also have public indemnity cover to provide further safeguards.</p>
<i>Tendering</i>	
<p>Through our different business units, we seek to win profitable work through a large number of competitive tenders and contract negotiations.</p> <p>This depends on our ability to price and add value in our tender offering, driven by an efficient operating model, and a clear focus on quality delivery 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>
<i>People</i>	
<p>We need to recruit and retain the best management and employees. These members of staff should have appropriate competencies and also share our values and behaviours.</p>	<p>We measure all potential recruits for key roles in the organisation against a competency framework. We undertake staff appraisals to review the roles, competencies, performances and potential of personnel. We have a well-developed succession planning process to identify and develop high potential personnel to fill key roles.</p> <p>People matters are reviewed regularly and discussed at all levels within the organisation and by the Board.</p> <p>We have appropriate remuneration and incentive packages to help us attract and retain key employees. We also use a well-connected group of recruitment consultants and advisors to ensure we connect with the best talent within the industry.</p>

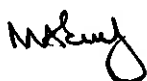
Esh Holdings Limited

Risk description	How it is mitigated
<i>Supply chain</i>	
<p>We are reliant on our supply chain partners for successful operational delivery, which means we are also exposed to a variety of risks in the supply chain.</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>
<i>Health and safety</i>	
<p>The Group works on projects which require continuous monitoring and management of health and safety risks.</p>	<p>The Group has a highly developed health, safety and environmental process. This process is underpinned by documented procedures and working practices. Policy is set by the Board, and cascaded through the organisation via a team of dedicated health and safety professionals, who continually audit and review on site operations for compliance, as well as liaising with external verification bodies.</p> <p>Accident frequency rates remain well below the industry average.</p> <p>Health and safety remains the first agenda item at all board meetings, and is a critical focus for all directors.</p>
<i>Regulatory, market and economic</i>	
<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 remains stable, but continues to be underpinned by favourable political support and monetary policy, thereby implying risk should these positions change.</p>

Esh Holdings Limited

Risk description	How it is mitigated
<i>Business process and IT systems</i>	
To continue to expand the business, Esh Group acknowledge that information and associated technology must be robust and meet business needs. The current legacy systems and architecture require replacement.	Project Gateway is an Esh Group business transformation project to put in place a new integrated business management system and robust IT infrastructure for the future.
<i>Business is Curtailed by COVID 19</i>	
COVID 19 forces the business to operate inefficiently, projects to be cancelled and sites closed due to government enforcements.	<p>Based upon government and industry guidance, we have implemented rigorous processes to ensure that all of our operations are Covid secure.</p> <p>Our diverse sector mix ensures that we are not overly exposed to sectors suffering excessive hardship during the pandemic.</p> <p>We engage with our clients and supply chains to ensure that all partners can continue to operate with particular emphasis on ensuring smooth flow of cash funds for work completed.</p> <p>We continue to monitor government financial support schemes to ensure that we are aware of appropriate solutions should they be required.</p>

Signed on behalf of the Board



M A Sowerby

Director

Date..... 18 December 2020

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF

Esh Holdings Limited

Corporate Governance

Esh Group Guiding Principles

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

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

Esh Group Sector Directors and Management

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

Esh Group maintains a program of continuous improvement in respect of all its internal control. However, during 2018 and 2019 there has been a significant amount of new work undertaken to re-design processes and find technological solutions wherever possible as part of the Gateway Project. Once this transformation is complete and fully launched, it will, together with the recent significant restructuring of the business sectors and their associated management teams, establish a strong position to mitigate both the current and future challenges for the Group.

The Esh Group Board and Group Policies

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

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

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

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

Esh Holdings Limited

The Esh Group Board and Group Policies (continued)

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

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

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

Employment Policies and Procedures

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

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

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

Ethical Governance Approach

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

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

Health and Safety Policy and Procedures

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

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

Esh Holdings Limited

General Data Protection Regulation 2019 (GDPR)

During 2018, GDPR legislation became effective. In preparation, a training and communication programme was put in place. A rigorous audit process was undertaken and a register of all personal data that we hold has been mapped and documented in a data register including how we use it, who we share it with, why we need it and how we communicate to data subjects. In addition to this, the following approach has been adopted:

- Ensuring people throughout the business are aware of GDPR through Group wide communications and inclusion in the Group's induction process.
- Promoting a culture of shared responsibility — it lies with everyone who handles and processes data, not just the data controller. Departments have nominated "GDPR Champions" to ensure data protection principles are observed.

Further details of our Group Policy can be obtained from the Group website.

Esh Holdings Limited

Directors and Advisors

Michael Hogan, Non-Executive Chairman | Tenure: 49 years

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

Andy Radcliffe | Group Chief Executive Officer | Tenure: 10-years

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

Mark Sowerby | Chief Financial Officer & Company Secretary | Tenure: 2-years

Mark joined Esh Group in November 2017 after more than 21 years at engineering consultancy WS Atkins plc, most recently as finance director of its worldwide project management business, Faithful+Gould.

Stephen Wilkie | Executive Director | Tenure: 32-years

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

Paul Watson | Executive Director | Tenure: 20-years

Paul joined Lumsden & Carroll in 1999 as a Senior Quantity Surveyor. In 2006 Paul was appointed as Commercial Director of Lumsden and Carroll and became Commercial Director of Esh Construction in 2009. In 2012 Paul was appointed as Esh Group Commercial Director. Since 2019 Paul has taken on the newly formed position of Executive Director with responsibility for all commercial build, social housing and facilities sectors within the business. Paul represents Esh Group on the Constructing Excellence's North East Advisory Group Board.

Phil Brown | Executive Director | Tenure: 14-years

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

Tony Carroll Jnr | Non-Executive Director | Tenure: 27-years

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

John Lumsden Jnr | Non-Executive Director | Tenure: 28-years

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

Esh Holdings Limited

Directors and Advisors (continued)

Philip Coates, Non-Executive Director

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

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

Trading Name

Esh Group is a trading name of Esh Holdings Limited.

Company secretary of Esh Holdings Limited

Mark Sowerby

Independent auditors

PricewaterhouseCoopers LLP

Central Square South

Orchard Street

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Legal advisors

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Esh Holdings Limited

Directors' Report

The directors present their directors' report and audited consolidated financial statements for the year ended 31 December 2019.

Financial instruments

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

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

Interest rate risk

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

Liquidity risk

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

At 31 December 2019, the Group had cash at bank and in hand of £15.3m, which is expected to be more than sufficient to fund the working capital needs for the Group.

Credit risk

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

Paid dividends

£0.5m of dividends were paid in the year (2018 £1.8m).

Share capital

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

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 Snr
P J Brown (appointed 3rd December 2020)
J P Davies (resigned 12 July 2019)
M F Hogan
J G Lumsden Jnr.
A E Radcliffe
M A Sowerby
P G Watson
S T Wilkie

Esh Holdings Limited

Directors' report (continued)

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

Employees

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

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

Political contributions

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

Statement of directors' responsibilities

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

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

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

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

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

Esh Holdings Limited

Directors' report (continued)

Section 172 (1) statement

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

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

Disclosure of information to auditors

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

Esh Holdings Limited

Directors' report (continued)

Future developments

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

Independent auditors

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

Signed on behalf of the Board

ST Wilkie

Director

Date 18.12.2020



Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF

Independent auditors' report to the members of Esh Holdings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether

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

there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's 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.

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

18 December 2020

Esh Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019			2018		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover							
Group and share of joint ventures		212,550	8,690	221,240	186,531	21,883	208,414
Less: share of joint ventures' turnover		(14,992)	-	(14,992)	(12,376)	-	(12,376)
Group turnover	1	197,558	8,690	206,248	174,155	21,883	196,038
Cost of sales		(187,004)	(10,906)	(197,910)	(167,658)	(26,874)	(194,532)
Gross profit/(loss)		10,554	(2,216)	8,338	6,497	(4,991)	1,506
Administrative expenses before exceptional items		(10,941)	(551)	(11,492)	(6,423)	(1,931)	(8,354)
Exceptional administrative expenses		-	(165)	(165)	-	(1,122)	(1,122)
Total administrative expenses		(10,941)	(716)	(11,657)	(6,423)	(3,053)	(9,476)
Share of operating profit in joint ventures		1,145	-	1,145	220	-	220
Other operating income		-	-	-	222	-	222
Operating profit/(loss) before exceptional items		758	(2,767)	(2,009)	516	(6,922)	(6,406)
Operating profit/(loss) after exceptional items	2	758	(2,932)	(2,174)	516	(8,044)	(7,528)
(Loss)/profit on sale of fixed assets		(205)	-	(205)	817	-	817
(Loss)/gain on sale of investments		(152)	(169)	(321)	46	(200)	(154)
Interest receivable and similar income	5	47	-	47	100	-	100
Interest payable and similar expenses	6	(935)	-	(935)	(570)	-	(570)
(Loss)/profit before taxation		(487)	(3,101)	(3,588)	909	(8,244)	(7,335)
Add back loss attributable to minority interest		692	-	692	434	-	434
Profit/(loss) before taxation attributable to owners of the parent		205	(3,101)	(2,896)	1,343	(8,244)	(6,901)
Tax on profit/(loss) attributable to owners of the parent	7	83	410	493	(173)	1,702	1,529
Profit/(loss) for the financial year attributable to owners of the parent		288	(2,691)	(2,403)	1,170	(6,542)	(5,372)

Consolidated balance sheet as at 31 December 2019

			2019	2018
	Note	£'000	£'000	£'000
Fixed assets				
Intangible assets	9	-		8,103
Tangible assets	10	10,709		14,023
Investment properties	11	387		1,314
Investments	12			
Investments in joint ventures and participating interests		443	202	
Loans to joint ventures and participating interests		8,815	287	
			9,258	489
			20,354	23,929
Current assets				
Stocks	13	4,927	16,682	
Debtors: amounts falling due within one year	14	45,365	41,883	
Cash at bank and in hand		15,260	13,312	
		65,552	71,877	
Creditors: amounts falling due within one year	15	(51,746)	(55,799)	
Net current assets			13,806	16,078
Total assets less current liabilities			34,160	40,007
Creditors: amounts falling due after more than one year	16	(1,036)	(4,003)	
Provisions for liabilities	17	-	-	
Net assets			33,124	36,004

Consolidated balance sheet as at 31 December 2019 (continued)

	Note	2019	2018
		£'000	£'000
Capital and reserves			
Called up share capital	19	22,256	22,256
Share premium account		29	29
Employment benefit trust reserve	19	(641)	(641)
Retained earnings		11,463	14,366
Total shareholders' funds		33,107	36,010
Minority interests	20	17	(6)
Capital employed		33,124	36,004

The financial statements on pages 22 to 69 were approved by the board of directors on 15th December 2020 and were signed on its behalf by:



M A Sowerby
Director

Company registered number: 03724890

Esh Holdings Limited

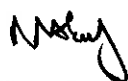
Company balance sheet as at 31 December 2019

	Note	2019	2018
		£'000	£'000
Fixed assets			
Intangible assets	9	-	8,148
Tangible assets	10	6,861	8,271
Investment properties	11	387	387
Investments	12	6,049	5,711
		13,297	22,517
Current assets			
Debtors: amounts falling due within one year	14	30,016	26,888
Cash at bank and in hand		1,278	-
		31,294	26,888
Creditors: amounts falling due within one year	15	(22,400)	(24,162)
Net current assets		8,894	2,726
Total assets less current liabilities		22,191	25,243
Creditors: amounts falling due after more than one year	16	-	(3,328)
Provisions for liabilities	17	(135)	(186)
Net assets		22,056	21,729

Company balance sheet as at 31 December 2019 (continued)

	Note	2019 £'000	2018 £'000
Capital and reserves			
Called up share capital	19	22,256	22,256
Share premium account		29	29
Employment benefit trust reserve	19	(641)	(641)
Retained earnings/(accumulated loss)			
At 1 January		85	1,337
Profit for the year		827	504
Other changes in retained earnings/(accumulated loss)		(500)	(1,756)
At 31 December		412	85
Total Shareholders' Funds		22,056	21,729

The financial statements on pages 22 to 69 were approved by the board of directors on 18th December 2020 and were signed on its behalf by:



M A Sowerby
Director

Company registered number: 03724890

Esh Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Employment benefit trust reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 January 2018	20,500	29	(641)	21,494	41,382
Loss for the financial year	-	-	-	(5,372)	(5,372)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(5,372)	(5,372)
Share issuance	1,756	-	-	-	1,756
Dividend on shares	-	-	-	(1,756)	(1,756)
Balance at 31 December 2018	22,256	29	(641)	14,366	36,010
Loss for the financial year	-	-	-	(2,403)	(2,403)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(2,403)	(2,403)
Share issuance	-	-	-	-	-
Transfer from Minority interest	-	-	-	-	-
Dividend on shares	-	-	-	(500)	(500)
Balance at 31 December 2019	22,256	29	(641)	11,463	33,107

**Company statement of changes in equity
for the year ended 31 December 2019**

	Called up share capital £'000	Share premium account £'000	Employment benefit trust reserve £'000	Retained earnings £'000	Total shareholders ' funds £'000
Balance at 1 January 2018	20,500	29	(641)	1,337	21,225
Profit for the financial year	-	-	-	504	504
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	504	504
Share issuance	1,756	-	-	-	1,756
Dividend on shares	-	-	-	(1,756)	(1,756)
Balance at 31 December 2018	22,256	29	(641)	85	21,729
Profit for the financial year	-	-	-	827	827
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	827	827
Share issuance	-	-	-	-	-
Dividend on shares	-	-	-	(500)	(500)
Balance at 31 December 2019	22,256	29	(641)	412	22,056

**Consolidated statement of cash flows
for the year ended 31 December 2019**

		2019	2018
	Note	£'000	£'000
Cash generated from/(used in) operating activities	21	11,368	(2,213)
Taxation received		119	143
Net cash generated from/(used in) operating activities		11,487	(2,070)
Cash flow from investing activities			
Purchase of tangible assets		(291)	(1,053)
Purchase of Intangible assets		(1,275)	(3,040)
Proceeds from disposals of tangible assets		2,010	5,276
Sale/(Purchase) of investments		234	(88)
Sale/(Purchase) of investment property		927	(228)
Sale of EBT shares		-	-
Interest received		45	100
Dividends received		645	-
Net cash (used in)/ generated from investing activities		2,295	967
Cash flow from financing activities			
Repayment of obligations under finance leases		(1,745)	(1,773)
Repayment of bank borrowings/debt capitalisation		(8,806)	(3,352)
Dividends paid		-	(1,768)
Movement in Minority Interests		(544)	-
Interest paid		(739)	(483)
Share issuance		-	1,756
Net cash used in financing activities		(11,834)	(5,620)
Net decrease in cash at bank and in hand		1,948	(6,723)
Cash and cash equivalents at the beginning of the year		13,312	20,035
Cash and cash equivalents at the end of the year		15,260	13,312

Esh Holdings Limited

Statement of accounting policies

General information

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

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

Statement of compliance

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

Summary of significant accounting policies

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

Basis of preparation

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

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

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

Going concern

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

The Group’s continuing operations achieved EBITDA of £2.1m and recorded a profit before taxation attributable to owners of the parent of £0.2m for 2019 (2018: £1.3m). Closing net assets were £33m, including net cash of £10m.

The Group has access to a £9.2m loan facility which is secured against assets within the business (see note 22) and which can be drawn down against the outstanding client applications and sales invoices of Esh Construction Limited and Deerness Fencing & Landscaping Limited.

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

Esh Holdings Limited

Statement of accounting policies (continued)

Basis of consolidation

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

(i) Subsidiaries

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

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

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

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

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

(ii) Joint arrangements

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

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

(iii) Associates

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

Statement of accounting policies (continued)

Equity method of accounting

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

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

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

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

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

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

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

Exemptions for qualifying entities under FRS 102

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

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

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

Esh Holdings Limited

Statement of accounting policies (continued)

Foreign Currency

(i) *Functional and presentation currency*

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

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

(ii) *Transactions and balances*

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

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

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

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

(iii) *Translation*

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

Esh Holdings Limited

Statement of accounting policies (continued)

Turnover

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

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

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

(a) Long/short term contracts

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

(b) Property sales

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

(c) Supply of service

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

Government grants

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

Employee benefits

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

(i) Short term benefits

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

(ii) Defined contribution pension plans

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

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

Esh Holdings Limited

Statement of accounting policies (continued)

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(i) *Current tax*

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

(ii) *Deferred tax*

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

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

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

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

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

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

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

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

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

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

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

Esh Holdings Limited

Statement of accounting policies (continued)

Investments

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

Tangible assets and depreciation

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

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

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

No depreciation is provided on freehold land.

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

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

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

Investment properties

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

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

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

Esh Holdings Limited

Statement of accounting policies (continued)

Impairment of non-financial assets

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

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

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

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

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

Leases

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

(i) Finance lease

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

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

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

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

(ii) Operating lease

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

(iii) Lease incentives

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

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

Esh Holdings Limited

Statement of accounting policies (continued)

Stocks

Housebuilding stocks and work in progress

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

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

Other stocks

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

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

Cash and cash equivalents

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

Provisions and contingencies

(i) *Provisions*

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

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

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

(ii) *Contingencies*

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

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

Esh Holdings Limited

Statement of accounting policies (continued)

Long term contracts

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

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

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

Financial instruments

Classification of financial instruments issued by the company

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

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

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

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

(i) Financial assets

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

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

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

Esh Holdings Limited

Statement of accounting policies (continued)

(ii) *Financial liabilities*

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

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

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

Related party transactions

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

Dividends on shares presented within shareholders' funds

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

Critical accounting judgements and key source of estimation uncertainty

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

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

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

(i) *Turnover recognition*

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

(ii) *Long term contracts*

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

(iii) *Valuation investments in land*

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

Esh Holdings Limited

Notes to the financial statements for the year ended 31 December 2019

1 Group turnover

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

	2019	2018
	£'000	£'000
Construction	142,465	134,793
Housing and land	4,333	6,276
Property services	58,530	52,842
Business support	920	2,127
Group turnover	206,248	196,038

2 Operating profit/(loss) after exemption items

	2019	2018
	£'000	£'000
Operating profit/(loss) is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Owned	937	1,511
Leased	453	654
Amortisation of goodwill	-	-
Hire of assets	7,777	8,210
Exceptional items:		
Restructuring costs	165	1,122

Exceptional items reflect the one-off impact to the business during the year including £165,000 (2018: £1,122,000) of restructuring costs.

Esh Holdings Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Operating profit/(loss) after exemption items

Auditors' remuneration

	2019	2018
	£'000	£'000
Audit of the consolidated financial statements	18	18
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries	120	145
Taxation compliance services	50	20
Other tax advisory services	37	20
Other corporate finance services	-	-

3 Directors' emoluments

Company

	2019	2018
	£'000	£'000
Directors' emoluments	1,150	826
Company contributions to money purchase pension schemes	63	100

The aggregate emoluments of the highest paid director were £442,845 (2018: £227,281), and company pension contributions of £7,804 (2018: £33,460) were made to a money purchase scheme on his behalf.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	8	5

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

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

4 Staff numbers and costs

Group

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

	Number of employees	
	2019	2018
Production staff	329	385
Administrative staff	537	579
	866	964

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	34,622	35,937
Social security costs	3,550	3,566
Other pension costs (note 24)	1,388	1,268
	39,560	40,771

Included in staff costs are redundancy payments of £232,500 (2018: £284,175).

Company

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

	Number of employees	
	2019	2018
Production staff (Weekly Paid)	-	-
Administrative staff (Monthly Paid)	88	96
	88	96

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	3,885	4,950
Social security costs	405	404
Other pension costs (note 24)	208	221
	4,498	5,575

Included in staff costs are redundancy payments of £151,000 (2018: £30,630).

5 Interest receivable and similar income

	2019	2018
	£'000	£'000
Bank interest	47	100

6 Interest payable and similar expenses

	2019	2018
	£'000	£'000
On bank loans and overdrafts	908	498
Finance charges payable in respect of finance leases and hire purchase contracts	27	72
	935	570

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

7 Tax on profit/(loss) attributable to owners of the parent

(a) Tax credit included in profit or loss

	2019 £'000	2018 £'000
UK corporation tax		
Current tax on income for the year	-	101
Adjustments in respect of prior years	98	(624)
	98	(523)
Share of joint ventures' current tax	64	-
Total current tax	162	(523)
Deferred tax (see note 17)		
Origination/reversal of timing differences	(532)	(1,067)
Adjustments in respect of prior years	(123)	61
Total deferred tax	(655)	(1,006)
Tax on profit/loss	(493)	(1,529)

(b) Reconciliation of tax credit

Factors affecting the tax credit for the current year

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

	2019 £'000	2018 £'000
Total tax reconciliation		
Profit/(Loss) before taxation	(2,897)	(6,971)
Current tax at 19% (2018: 19%)	(550)	(1,324)
<i>Effects of:</i>		
Tax losses		9
Gains/rollover relief	-	(41)
Income not taxable	(151)	(7)
Tax Rate changes	(119)	103
Group relief surrendered/claimed	13	(30)
Deferred tax not provided	9	170
Transfer of Trade	(1,594)	-
Expenses not taxable for tax purposes	1,924	154
Adjustments in respect of prior years	(25)	(563)
Total tax credit for the year (see above)	(493)	(1,529)

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

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

Tax rate changes

The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015. This reduced the main rate of corporation tax to 19% with effect from 1 April 2017. The rate has been held at this level and so deferred tax assets and liabilities reflect the rate of 19%.

8 Dividends

The aggregate amount of dividends paid in the year comprises:

	2019	2018
	£'000	£'000
Non-voting preference shares of £1 each		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	-
Dividends paid in respect of the year	-	-
Voting preference shares of £1 each		
Final dividend paid in respect of prior year but not recognised as liabilities in that year	500	1,756
	500	1,756

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

9 Intangible assets

Group

	Software costs £'000	Goodwill £'000	Negative goodwill £'000	Total £'000
Cost				
At 1 January 2019	8,148	1,128	(2,322)	6,954
Acquisition	1,230	-	-	1,230
Disposal			45	45
At 31 December 2019	9,378	1,128	(2,277)	8,229
Accumulated amortisation				
At 1 January 2019	-	1,128	(2,277)	(1,149)
Disposal	9,378	-	-	9,423
Charged in year	-	-	-	-
At 31 December 2019	9,378	1,128	(2,277)	8,229
Net book value				
At 31 December 2019	-	-	-	-
At 31 December 2018	8,148	-	(45)	8,103

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.

Company	Software costs £'000	Total £'000
Cost		
At 1 January 2019	8,148	8,148
Addition	1,230	1,230
At 31 December 2019	9,378	9,378
Accumulated amortisation		
At 1 January 2019	-	-
Disposal	9,378	9,378
At 31 December 2019	9,378	9,378
Net book value		
At 31 December 2019	-	-
At 31 December 2018	8,148	8,148

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

10 Tangible assets

Group

	Freehold land and buildings £'000	Leasehold properties £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2019	8,674	46	12,983	21,703
Additions	-	12	279	291
Disposals	(1,492)	(2)	(3,639)	(5,133)
At 31 December 2019	7,182	56	9,623	16,861
Accumulated depreciation				
At 1 January 2019	642	9	7,029	7,680
Charge for year	118	7	1,265	1,390
On disposals	(304)	-	(2,614)	(2,918)
At 31 December 2019	456	16	5,680	6,152
Net book value				
At 31 December 2019	6,726	40	3,943	10,709
At 31 December 2018	8,032	37	5,954	14,023

Included in the total net book value of plant and machinery is £nil (2018: £3,538,191) 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 2019 (continued)**

10 Tangible assets (continued)

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019	8,662	1,952	10,614
Additions	-	42	42
Disposals	(1,492)	(1,351)	(2,843)
At 31 December 2019	7,170	643	7,813
Accumulated depreciation			
At 1 January 2019	630	1,713	2,343
Charge for year	119	146	265
On disposals	(305)	(1,351)	(1,656)
At 31 December 2019	444	508	952
Net book value			
At 31 December 2019	6,726	135	6,861
At 31 December 2018	8,032	239	8,271

Included in the total net book value of plant and machinery is £nil (2018: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2018: £nil).

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

11 Investment properties

	Group	Company
	£'000	£'000
Valuation and net book value		
At 1 January 2019	1,314	387
Additions	-	-
Disposal	(927)	-
Fair value movements	-	-
At 31 December 2019	387	387

The fair values of the Group's investment property at December 31, 2019 and 2018 have been based on the market comparable approach that reflects recent transaction prices for similar properties, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties / other methods. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

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

The historical cost of the Group's investment properties is £387,000 (2018: £887,000).

The historical cost of the Company's investment properties is £387,000 (2018: £387,000).

**Notes to the financial statements
for the year ended 31 December 2019 (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 2019	-	638	600	390	1,628
Additions	-	-	-	9,083	9,083
Repayments	-	-	(540)	-	(540)
Disposal	-	-	-	(15)	(15)
At 31 December 2019	-	638	60	9,458	10,156
Provisions					
At 1 January 2019	-	(366)	(600)	(375)	(1,341)
Disposal	-	-	-	-	-
At 31 December 2019	-	(366)	(600)	(375)	(1,341)
Share of post-acquisition reserves					
At 1 January 2019	202	-	-	-	202
Retained profits less losses	241	-	-	-	241
Disposal	-	-	-	-	-
At 31 December 2019	443	-	-	-	443
Net book value					
At 31 December 2019	443	272	(540)	9,083	9,258
At 31 December 2018	202	272	-	15	489

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

12 Investments (continued)

Company	Shares in group undertakin gs £'000	Loans to subsidiar ies £'000	Shares in joint ventures £'000	Loans to joint ventures £'000	Loans to particip ating interests £'000	Total £'000
Cost						
At 1 January 2019	26,409	556	398	366	-	27,729
Addition	-	-	-	-	340	340
Disposal	(2)	-	-	-	-	(2)
At 31 December 2019	26,407	556	398	366	340	28,067
Provisions						
At 1 January 2019	(20,698)	(556)	(398)	(366)	-	(22,018)
Disposal	-	-	-	-	-	-
Impairment						
At 31 December 2019	(20,698)	(556)	(398)	(366)	-	(22,018)
Net book value						
At 31 December 2019	5,709	-	-	-	340	6,049
At 31 December 2018	5,711	-	-	-	-	5,711

At the end of 2019 the directors conducted a review of the carrying values of the company's investments in subsidiary undertakings. Based on this the carrying value of the investments are considered to be recoverable.

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

12 Investments (continued)

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

Subsidiary undertakings	Proportion of voting rights and shares held	Nature of business
ABC Rental Properties Limited ¹	100%	Property letting
Boathouse Lane Projects Limited ¹	100%	Land and property development
Border Construction (Holdings) Limited ^{1,2}	100%	Civil engineering and building contractor
Border Construction Limited ¹	100%	Civil engineering and building contractor
David Wilkinson Building Contractors Limited ¹	100%	Dormant
Deerness Fencing & Landscaping Limited	100%	Fencing contractor
Dunelm (Bowburn) Limited ¹	100%	Land and property development
Dunelm Homes (Seaham) Limited ¹	100%	Housebuilder
Dunelm Homes Limited	100%	Housebuilder
Dunelm National Projects Limited ¹	100%	Property development
Dunelm Property Services Limited ¹	100%	Social housing – refurbishment of new build
Esh Acorn Homes Limited ¹	100%	Housebuilder
Esh Construction Limited	100%	Civil engineering and building contractor
Esh Developments Limited	100%	Land and property development
Esh EBT Trustee Limited	100%	Non- trading
Esh Green Limited ¹	100%	Dissolved 16 th July 2019
Esh Homes Limited	100%	Housebuilder
Esh Remedios Limited ^{1,2}	51%	Site investigation
Finlaysons Contracts Limited ²	100%	Building contractor
Green Energies Limited ¹	90%	Dissolved 16 th July 2019
J Tonks (Transport) Limited	100%	Waste disposal and recycling
Lumsden & Carroll Limited ¹	100%	Commercial builder

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

12 Investments (continued)

Subsidiary undertakings (continued)	Proportion of voting rights and shares held	Nature of business
Remedios Limited ^{1,2}	75%	Site investigation
Stephen Easten Building Limited ¹	100%	Commercial builder
Tonks Recycling Limited	100%	Waste disposal and recycling
Tursdale Business Park Limited ¹	41% +12.5%	Property letting
Tursdale Recycling Limited	100%	Waste disposal and recycling
Wilkinson Facilities Services Limited ¹	100%	Property and Facilities Management
Joint ventures		
Boathouse Lane (Freehold) Limited ¹	50%	Non-trading
Eastbourne JV Limited	50%	Housebuilder
Esh Energy Limited ¹	49%	Dissolved 19 th November 2019
Esh Stantec Ltd	50%	Civil engineering
Esh Salutation Road Limited	50%	Housebuilder
Heighington JV Limited	50%	Housebuilder
West Park JV Limited	50%	Housebuilder
Micropump (NE) Limited	50%	Plant hire
Middleton St George JV Limited	50%	Housebuilder
Prestige Exclusive Homes Limited ¹	50%	Property development
Participating interests		
Philadelphia Estates Limited ¹	+30%	Property letting
Philadelphia Properties Limited ¹	+30%	Property letting
Speed 8767 Limited ¹	+30%	Property letting
Esh Space The Park Limited ¹	15%	Property development
M62 Developments Limited ¹	43%	Dormant

*voting +equity ¹investment held indirectly ²Scottish registered company

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

Esh Holdings Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Investments (continued)

The registered office of Esh Holdings Limited is Esh House, Bowburn North Industrial Estate, Durham DH6 5PF. All subsidiaries are also registered at Esh House except for those which are Scottish companies (indicated) which are registered at:

Botany Mill, Roxburgh Street, Galashiels TD1 1PB

Finlaysons Contracts Limited

Border Construction (Holdings) Limited

Esh Remedios Limited

Remedios Limited

13 Stocks

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Land stocks and work in progress	4,477	16,187	-	-
Raw materials and consumables	450	495	-	-
	4,927	16,682	-	-

The amount of stock recognised as an expense during the year was £6,748,179 (2018: £7,657,317).

There is no significant difference between the replacement cost of the stock and it's carrying amount.

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

14 Debtors amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	11,094	7,979	198	438
Amounts recoverable on contracts	18,046	24,097	-	-
Amounts owed by group undertakings	10,299	3,144	28,707	24,991
Deferred tax	1,174	447	-	-
VAT receivable	-	-	-	-
Amounts owed by undertakings in which the entity has a participating interest (note 25)	2,343	4,311	21	544
Corporation tax recoverable	289	577	348	500
Other debtors	601	247	271	211
Prepayments and accrued income	1,519	1,081	471	204
	45,365	41,883	30,016	26,888

Group 'other debtors' include £nil (2018: £nil) due after more than one year. Company 'other debtors' include £nil (2018: £nil) due after more than one year.

**Notes to the financial statements
for the year ended 31 December 2019(continued)**

15 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 16)	5,038	11,502	5,038	15,058
Obligations under finance leases and hire purchase contracts (note 16)	-	1,120	-	-
Payments received on account	2,641	1,299	-	-
Trade creditors	7,782	6,386	644	1,239
Amounts owed to group undertakings	-	-	15,907	5,307
Amounts owed to undertakings in which the entity has a participating interest (note 25)	18	32	-	-
Corporation tax	-	-	-	-
Other taxation and social security	2,283	1,498	384	190
Other creditors	1,664	1,223	186	234
Accruals and deferred income	32,320	32,739	241	2,134
	51,746	55,799	22,400	24,162

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	3,327	-	3,328
Other loans	1,036	50	-	-
Obligations under finance leases and hire purchase contracts	-	626	-	-
	1,036	4,003	-	3,328

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

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

Analysis of debt

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Debt can be analysed as falling due:				
In one year or less, or on demand	5,038	12,622	5,038	15,058
Between one and two years	1,036	3,538	-	3,030
Between two and five years	-	465	-	298
In five years or more	-	-	-	-
	6,074	16,625	5,038	18,386

Further details of bank loans are provided below:

The Group has access to a £9.2m loan facility which is secured against assets of the business as specified in note 22. Funds can be drawn down against the unpaid client applications and sales invoices in Esh Construction Limited and Deerness Fencing & Landscaping Limited. Interest is charged by a means of a fixed monthly charge of £40.6k for the first £7.0m and 0.58% on any amounts drawn above that level. At 31 December 2019 the balance drawn on the loan was £5,038k (2018: £nil).

The Groups Chilton Moor Development is funded by means of a project specific loan.. Interest is charged at 10% and are secured against the he land and work in progress of the site. At 31 December 2019 the balance drawn on the loan was £1,036k (2018: £nil).

All other loan facilities, including mortgages and hire purchase finance, were repaid in the year.

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

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

Finance leases

The future minimum finance lease payments are as follows:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Not later than one year	-	1,156	-	-
Later than one year and not later than five years	-	643	-	-
Later than five years	-	-	-	-
Total gross payments	-	1,799	-	-
Less: finance charges	-	(53)	-	-
Carrying amount of liability	-	1,746	-	-

17 Provisions for liabilities

	Group	Company
	£'000	£'000
At 1 January 2019	(447)	186
Charge/(credit) to the profit and loss	(655)	(430)
Transfer out on disposal	(72)	379
At 31 December 2019	(1,174)	135

The elements of deferred taxation are as follows:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Differences between accumulated depreciation and capital allowances	(1,174)	(447)	135	186

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

18 Financial instruments

Group

The Group has the following financial instruments:

	Note	2019 £'000	2018 £'000
Financial assets measured at amortised cost:			
Trade debtors	14	11,094	7,979
Prepayments and accrued income	14	1,519	1,081
Amounts recoverable on contracts	14	18,046	24,097
Amounts owed by group undertakings	14	10,299	3,144
Amounts owed by undertakings in which the entity has a participating interest	14	2,343	4,311
Other debtors	14	601	247
		43,902	40,859
Financial liabilities measured at amortised cost:			
Bank loans and overdrafts	16	6,074	14,829
Obligations under finance leases and hire purchase contracts	16	-	1,746
Amounts owed to undertakings in which the entity has a participating interest	15	18	32
Payments received on account	15	2,641	1,299
Trade creditors	15	7,782	6,386
Other loans	16		50
Other creditors	15	1,664	1,223
Accruals and deferred income	15	32,320	32,739
Other taxation and social security	15	2,283	1,498
		52,782	59,802

Notes to the financial statements
for the year ended 31 December 2019 (continued)

18 Financial instruments (continued)

Company

The Company has the following financial instruments:

	Note	2019 £'000	2018 £'000
Financial assets measured at amortised cost:			
Trade debtors	14	198	438
Prepayments and accrued income	14	471	204
Amounts owed by group undertakings	14	28,707	24,991
Amounts owed by undertakings in which the entity has a participating interest	14	21	544
Other debtors	14	271	211
Corporation tax	14	348	500
VAT receivable	14	-	-
		30,016	26,888
Financial liabilities measured at amortised cost:			
Bank loans and overdrafts	15/16	5,038	18,386
Obligations under finance leases and hire purchase contracts	15	-	-
Amounts owed to group undertakings	15	15,907	5,307
Trade creditors	15	644	1,239
Other creditors	15	186	234
Accruals and deferred income	15	241	2,134
Other taxation and social security	15	384	190
		22,400	27,490

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

19 Called up share capital

Group and company

	2019		2018	
	Number of shares	£000	Number of shares	£000
Allotted, called up, issued and fully paid				
Non-voting ordinary shares of 0.1p each	9,834,967	10	9,834,967	10
Variable dividend ordinary shares of £1 each	14,286,791	14,287	14,286,791	14,287
Voting preference shares of £1 each	7,959,638	7,959	7,959,638	7,959
	32,081,396	22,256	32,081,396	22,256

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.

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Called up share capital (continued)

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

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

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

Employment benefit trust (EBT) reserve consists of shares repurchased by the Group's Employee Benefit Trust. At the end of the year the EBT held 229,743 preference shares of £1 each (2018: 229,743), nil non-voting shares of 0.1p each (2018: nil) and 305,783 voting ordinary shares of £1 each (2018: 305,783) at a combined cost of £640,972 (2018: £640,972).

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

20 Minority interests

	Group
	£'000
At 1 January 2019	(6)
Total comprehensive loss before tax attributable to minority interests	(693)
Tax attributable to minority interest	1
Transfer to Reserves (Philadelphia)	1,260
Mechplant Disposal	(42)
Dividends paid to minority interest	(503)
At 31 December 2019	17

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

21 Reconciliation of operating profit/(loss) to operating cash flows

	2019	2018
	£'000	£'000
Profit/(Loss) for the financial year attributable to owners of the parent	(2,403)	(5,372)
Profit/(Loss) for the financial year attributable to minority interest	(693)	(463)
Profit/(Loss) for the financial year	(3,096)	(5,835)
Tax on loss attributable to owners of the parent	(493)	(1,529)
Tax on loss attributable to minority interest	1	29
Net interest income	888	470
Income from shares in group undertakings	-	-
(Loss)/Gain from sale of investments	321	154
(Loss)/Income from joint ventures	(1,145)	(220)
Negative goodwill on acquisition	-	-
Profit/(loss) on sale of fixed assets	205	(817)
Operating loss	(3,319)	(7,748)
Amortisation of intangible assets	-	-
Depreciation of tangible assets	1,390	2,165
Revaluation of investment property	-	-
Working capital movements		
- (Increase)/decrease in inventories	11,753	3,566
- Decrease in debtors	(1,987)	3,885
- (Increase)/decrease in payables	3,531	(4,081)
Cash generated from/(used in) operating activities	11,368	(2,213)

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

22 Contingent liabilities

Banking arrangements

The Group funding arrangements are secured by means of charges on the Land and Buildings held within Esh Holdings Limited and Plant and Machinery held in Esh Construction Limited and Deerness Fencing & Landscaping Limited, together with a first ranking debenture across the assets and liabilities of the key group trading companies including Esh Holdings Limited. The amount drawn on the facility at 31 December 2019 amounted to £5,038k (2018: £nil).

There are no other known contingent liabilities.

23 Commitments

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

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Contracted	111	-	-	-

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

	2019	2018
	£'000	£'000
Group		
Operating leases which expire:		
Within one year	115	228
Two to five years	542	658
More than five years	-	-
	657	886

Notes to the financial statements
for the year ended 31 December 2019 (continued)

24 Pension scheme

Group

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,387,493 (2018: £1,267,696).

Contributions amounts to £522,962 (2018: £115,961) 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 £207,937 (2018: £221,241).

Contributions amounting to £64,187 (2018: £32,778) were payable to the scheme and are included in creditors.

Esh Holdings Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

25 Related party disclosures

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

	Sales		Purchases		Debtors		Creditors	
	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Esh Space The Park Limited - Loan	-	-	-	-	512	336	-	-
Micropump (NE) Ltd								
Trade	11	14	5	42	-	-	-	1
Loan	-	-	-	-	21	21	-	-
Prestige Exclusive Homes Limited								
Trade	-	45	-	-	3	10	-	13
Loan	-	-	-	-	290	500	-	-
Middleton St George JV Limited								
Trade	215	-	-	-	18	-	2	-
Eastbourne JV Limited								
Trade	125	-	-	-	3	25	(16)	-
Loan	-	-	-	-	-	620	-	-
West Park JV Limited								
Trade	2,095	-	-	-	414	-	-	-
Salutation Road								
Trade	330	452	-	-	15	-	30	-
Loan	-	-	-	-	1,050	2,640	-	-
Tonks Recycling - Trade	-	16	-	-	-	-	-	-
Holborn LLP - Trade	-	13	-	-	-	-	-	-
Speed 8767 Limited -	-	-	-	-	-	159	-	-
Heighington JV Ltd	336	-	-	-	17	-	2	18
	3,112	540	5	42	2,343	4,311	18	32

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

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

The Group owes £nil (2018: £50,000) to the directors of Mechplant (North East) Limited. This loan is interest free.

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

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

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

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

27 Post balance sheet events

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, it is difficult for the company to estimate with reliable certainty the impact these events will have on the company's financial position, results of operations or cash flows in the future. The directors have performed a detailed assessment of the company's ability to continue as a going concern and have not identified any issues. The directors will continue to monitor the impact of the Coronavirus on the activities of the company.

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

28 Discontinued operations

In 2018 the Group announced restructuring plans, which included closing down several business units. These business units include the Group's operations in Scotland and North West England, Esh Developments and Bartram Walker Limited. Bartram Walker Limited was disposed of during 2018. In 2019, the Group disposed of its 80% interest in Mechplant (North East) Limited.

Each of the above business units have been reported in the current and prior period as a discontinued operation. Financial information relating to the discontinued operations is presented in the profit and loss account.