Esh Holdings Limited

Annual report and financial statements

for the year ended 31 December 2022

Registered Number 03724890

Esh Holdings Limited

Annual report and financial statements

for the year ended 31 December 2022

Contents

Esh Holdings Limited

Strategic Report

The directors present their strategic report for the year ended 31 December 2022

Principal activities

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

The principal activities of the Company is that of holding investments and the provision of management and support services to the trading group.

Overview

2022 presented a wide range of challenges for the construction industry. Following the bounce back in activity from the global pandemic, supply chains were placed under incredible strain as demand far outstripped supply, particularly in the Private Housing sector. Supply chains found themselves struggling to rebuild inventory and keep up with this surge in demand, leading to shortages and significantly extended lead times. This, naturally, led to a dramatic rise in input costs, which inexorably led to the highest level of construction material cost inflation in a generation.

This cost inflation was exacerbated by a similar level of pressure from labour and trade resources. Shortages of skilled labour to satisfy overall demand was compounded by several discreet factors, including significant storm damage to properties at the beginning of the year, alongside a burgeoning demand for home improvements from house holders who had accumulated capital during the lock down periods.

Construction businesses are normally adept at managing inflation risk, with contracts priced to include mechanisms to accommodate a normal level of anticipated inflation. However, the rate and pace at which input costs increased during 2022 was impossible to legislate for.

Similarly, the impact of shortages and labour constraints applied huge pressure to programmes, with contractors experiencing overruns on contracts that were priced before the pandemic.

Delays have been most prevalent in the parts of the group that have longer term contracts, particularly in our Commercial Build and Social Housing businesses (Esh Build and Esh Living respectively). The decision to target larger contracts with longer durations, was taken before the pandemic, with the overarching philosophy being that to secure such contracts attracts a better calibre of people and supply chains. This strategy, whilst laudable, was proven to be misplaced in the context of a global pandemic and its inevitable aftereffects.

A meticulously designed business model, set in place before the pandemic hit, has served to insulate us from the worst of these effects. This manifested itself in the following ways :

1. Our private housing division, Homes by Esh, was able to pass on all of its cost inflation during the year though sales price increases, with sales price inflation outstripping overall cost inflation during the year;

2. A significant proportion (~25%) of our contracts are of a 'cost-plus' nature, allowing us to achieve immediate pass through of cost inflation;

3. Our work to install infrastructure for Private House Builders are of relatively short duration, allowing new cost rates to be priced into new jobs, with only limited impact on contracts that are 'in flight';

4. A reasonable proportion of our contracts have provision for cost fluctuation based upon agreed indices;

5. Shifting the tendering emphasis away from single stage D&B competitive tenders towards Land Led (where we have control of the land) contracts, enabling better pricing of the risk/reward equation;

6. Fixed price bidding ended late 2021, with all contracts priced beyond this date containing a wide range of measures to protect from inflation and programme challenges.

In addition, our leadership team has designed the business model to provide a balanced portfolio of revenue from a broad range of complimentary sectors. This finely balanced revenue model ensures that we are not overweight in any one sector, and as such, are much more able to balance out the peaks and troughs of individual segments of the market over their respective economic cycles. In fact, the segments of the market that we have chosen to participate in have cyclical, counter-cyclical, and non-cyclical behaviour patterns, providing a much more stable and predictable backdrop for future revenue expectations.

This business model is the product of a detailed restructuring programme carried out between 2017 and 2020, which pivoted the business away from a strategy of growth through the pursuit of geographic and service expansion, to one focussed on core competencies and confined geographies - sticking to what we are good at, with supply chains that we know, and with clients which we can develop long term partnerships with.

This restructuring programme also targeted a fundamental shift in our capital allocation strategy. Through a series of targeted, non-core asset disposals, subsidiary divestitures, the establishment of Joint Ventures, and the implementation of 'gold standard' working capital management processes, we have systematically deleveraged our balance sheet to end the year debt free, and with over £18m of liquidity (including £6m available on our undrawn credit line).

The strength of our core revenue model, combined with a solid balance sheet have been key factors in how we have navigated the prevailing challenges in the market, and in many respects, have been the key differentiators when comparing our group with some of the large corporate failures reported during the period.

The Market

The industry has endured some of the most challenging conditions for many years, which in some respects, could be deemed to be greater than the financial crisis of 2008. At the time of writing, conditions are beginning to stabilise, albeit with the backdrop of an unpredictable macro-economic environment.

The inevitable tightening of monetary policy on the back of significant inflationary pressures, combined with limited scope for fiscal policy changes due to constrained public finances and the desire not to undo the efforts of the central bank, means that general economic conditions are not conducive to stimulating growth in our industry. Whilst this is not ideal, many would comment that the heat had to come out of demand in order to allow supply chains and prices to stabilise.

All that said, there remains opportunities for growth within a number of subsectors of the construction industry, with our core strategy being to pursue segments that demonstrate the following characteristics:

1. Have resilience and cyclical or counter-cyclical behaviour over the economic cycle;

2. Have a strong political / fiscal agenda that is unlikely to change over the medium term;

3. Are not overly congested;

4. Have reasonably high barriers to entry;

5. Play to our core strengths and differentiators.

Strategic report (continued)

Such dynamics across our targeted segments can be described as follows:

Utilities

Regulator expectations for major upgrades to wastewater networks are leading to a significant increase in capital programmes for Water companies, as well as related government agencies. Through our strategic partnership with global engineering giant Stantec Inc, we remain well placed to benefit from high levels of demand over the remainder of the current AMP (Asset Management Plan), and into the next.

Local Authorities

Our Local Authority clients continue to present a strong pipeline of projects covering infrastructure, public realm and general construction works. Capital budgets have clearly become more challenged on the back of rampant cost inflation, with many of our Local Authority clients prioritising essential works over longer-term development plans. However, strong funding streams, including 'Levelling Up' are ensuring that these projects make progress, with our position on key procurement frameworks ensuring we enjoy a healthy level of participation in this segment.

Private Housing

The private housing market has inevitably entered a period of uncertainty. High levels of consumer inflation has weighed heavily on the cost of living, which itself has been compounded by the highest level of interest rates since before the financial crisis of 2008. Following significant house price inflation in the aftermath of the pandemic, these factors are all serving to put pressure on prices and affordability, and consequently, buyer sentiment. Supply side constraints also prevail, and whilst labour and material availability has improved markedly, a number of regulatory constraints associated with planning and the need to balance nutritional elements (nitrates and phosphates emanating largely from wastewater management) on new developments is inhibiting the amount of new housing starts.

Homes by Esh is seeing a reduced level of visitors to site, and a more challenging sales environment. However, pricing is holding up overall. Lumsden and Carroll, which provides infrastructure services to PLC housebuilders has seen some moderate slow down in instructions, but nothing that would suggest a market collapse. This segment is being watched carefully, as many of the monetary measures that the central bank has deployed may have a lagged effect. However, it would appear that the national rhetoric associated with this segment does not reflect regional variations. The North East, particularly, has not seen aggressive house price inflation over the previous 2 years, as compared with regions such as London, the South East and the Home Counties. Moreover, employment levels in a region that has a large amount of public sector workers, has remained reasonably stable. So for now, the regional private housing market has not collapsed. However, management remain focussed on all leading indicators, and are ready to adapt the business to whatever conditions ultimately prevail. That said, longer term fundamentals remain strong, with the ongoing shortage in housing supply only being exacerbated by the short-term factors at play.

Affordable Housing

At a micro level, registered landlords and social housing providers have seen their capital budgets come under considerable pressure due to the levels of construction cost inflation over the last 18 months. In a similar manner as Local Authorities, they have worked to prioritise schemes rather than pursue previously set targets. Moreover, grant funding has been in a state of flux, with new grant programmes from Homes England in transition, leading to some delayed starts.

All this has been compounded by ongoing challenges in the planning system, with constrained planning resources at local authority level exacerbated by issues surrounding the satisfaction nutritional and bio-diversity regulations.

Whilst these matters are frustrating, at a macro level, the demand for affordable housing is set to increase on the back of reduced activity in the private sector limiting the availability of new Section 106 stock, alongside growing pressures in the affordability of private rented properties. Long term, the fundamentals for this sector remain incredibly strong, and with cross party consensus on the need for more affordable housing, this segment of the market has strong appeal.

Moreover, our strategy to pivot our route to market to be more land led (where we control the land) has created a pipeline of opportunities that have a long horizon, and once at optimum level, should ensure that over two thirds of our affordable new build revenues arise via this channel, increasing market share whilst simultaneously reducing risk.

Alongside the longer-term opportunities in new build affordable housing is a growing momentum in affordable housing repair and maintenance (R&M). This itself set to be turbocharged by the need to decarbonise a huge amount of existing affordable housing stock. In the first instance, this will principally involve the extensive insulation of homes, preparing them ultimately for the installation of new, lower carbon, heating solutions. Our R&M division is exceptionally well placed to capitalise on this opportunity having recently secured places on key procurement frameworks for this kind of work.

Summary

So whilst there remains a prevailing uncertainty over the whole construction market, the leadership team is confident that the sectors of the industry in which the business is pointed towards demonstrate robust short-term and long-term fundamentals, as well as ensuring that the balance of exposure to cyclical, countercyclical and non-cyclical revenue patterns should provide a stable outlook for the group.

Key factors in our future success will continue to be our team of highly skilled and dedicated colleagues, our valued clients, our supportive and loyal supply chains and our community of broader stakeholders. Through their combined efforts we continue to execute upon our agreed strategic objectives with vigour, diligence, resilience, and creativity. We would like to thank them all for their continued support.

Key performance indicators

	2022	2021
	£	£
Turnover, including share of joint ventures	**£286.8m**	£278.0m
Change in turnover	**3.2%**	17.3%
Gross profit margin	**5.6%**	6.7%
Operating profit	**£2.9m**	£3.9m
Profit before taxation attributable to owners of the parent	**£2.0m**	£3.0m
Cash at bank and in hand	**£12.4m**	£20.8m
Net cash (used in)/ generated from operating activities	**(£8.2m)**	£6.6m

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Strategic report (continued)

Business Review

The group reported an operating profit (before exceptional items and amortisation of intangibles) of £2.9m. Earnings have been impacted by double digit unrecoverable input cost inflation on a number of fixed price contracts, alongside a range of operational and delivery challenges on projects where supply chains have been unable to meet programmes. These challenges have been most acute in our Commercial Build division, where we have also had to manage one particularly challenging contract to completion. These issues have led to a change in approach to Commercial Building, with the leadership team shifting focus away from multi-room residential and mixed-use schemes to focus more on Local Authority led projects that are predominantly in the Education and Blue Light sectors.

Whilst these factors have weighed heavily on our Affordable Housing and Commercial Build earnings, our Civils and Private Housing (Homes by Esh) divisions have delivered record results. This demonstrates the beneficial portfolio effect of our group.

A profit before tax of £2.0m is reported, and is after recording fixed interest costs associated with our group wide credit facility and finance costs related to our Private Housing business, Homes by Esh.

The group continues to maintain a strong balance sheet at £33.4m, £12.4m of which is in net cash, with further liquidity of £6m available on the group's undrawn credit line. This liquidity has been maintained despite our cash investment of over £2m into new plant and machinery. The group remains focussed on driving capital efficiency across all of its operations, with 'gold standard' working capital processes complimented by a number of joint ventures that serve to both reduce risk and limit capital exposure. In order to facilitate future growth, the group has recently completed on a refinance exercise that provides a replacement £6m, three-year credit line at considerably lower cost than the previous facility, despite increased bank base rates.

Future Developments - Financial Year 2023 Outlook

2023 looks set to be defined by two distinct periods. Early 2023 will continue to show the impact of contracts that have been heavily impacted by inflation and delays. However, those contracts are almost entirely complete in the first half, with second half revenues emanating from contracts that were priced with protection embedded from both inflationary and programme risk. Our private housing division (Homes by Esh) will show a relatively slow first half, due largely to the aftereffects of the 'mini budget' in the latter part of 2022 which hit buyer confidence and sales rates. Since then, there has been some recovery in sales rates, leading to what should be a stronger second half of 2023. Furthermore, our Civils division has secured a number of large, prestigious contracts that will commence in the second half of 2023, alongside some significant contract wins for our Social Housing division. Consequently, we expect significant volume and margin expansion in the second half of 2023 compared with the first half.

This expectation is reinforced by what is turning out to be a moderating inflationary environment, with cost inflation expected to drop from double digit percentages in the first half to low to mid-single digit towards the end of the second half of 2023.

With labour and material resources eminently more available, the group is expecting less volatile conditions to prevail towards the end of 2023 moving into 2024.

And with an order book maintained at near record levels, which includes 100% of our turnover forecast for 2023, and 65% of our turnover forecast for 2024 secured, the group is looking forward with cautious optimism.

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Strategic report (continued)

Principal risks and uncertainties

The construction industry is exposed to numerous risks and challenges, which most recently has included macro-economic uncertainty and considerable pressures from supply chain constraints and input cost inflation. Our management team remains vigilant to these risks and challenges, and will continue to adapt the organisation to the environments within which it operates.

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

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

Risk description	**How it is mitigated**
Project execution	
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. Successful delivery of many of these projects depends on the successful implementation and maintenance of a range of operational and commercial procedures and controls.	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. We also have public indemnity cover to provide further safeguards.
Tendering	
Through our different business units, we seek to win profitable work through a large number of competitive tenders and contract negotiations. 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.	All bids are subject to proven, rigorous estimating and tendering processes within a defined framework, using skilled resources. We have delegated authority levels for approving all tenders and a formal tender review process. We undertake reviews following both successful and unsuccessful tenders to ensure we learn from them and apply those lessons to future tenders. Our culture of delivering social value within the communities in which we work provides a point of differentiation from many of our competitors, producing upper quartile tender success rates. The group has also increased the amount of turnover that is secured via land led, directly negotiated or two-stage tender routes, which significantly reduces the risks and challenges associated with pure competitively tendered projects. The group maintains strict controls around risk pricing, particularly associated with input cost inflation and resource availability, ensuring that the significant impact of recent inflationary pressures and shortages is mitigated going forward.

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Strategic report (continued)

Risk description	How it is mitigated
People	
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.	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. People matters are reviewed regularly and discussed at all levels within the organisation and by the Board. We have appropriate remuneration and incentive packages, which includes the selective allocation of growth equity, to help us attract and retain key employees. We also use a well-connected group of recruitment consultants and advisors to ensure we connect with the best talent in the industry.
Supply chain	
We are reliant on our supply chain partners for successful operational delivery, which means we are also exposed to a variety of risks in the supply chain. The group is also exposed to the global issue of cost price inflation.	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. 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. 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. Through selective procurement allocation, we have been able to leverage strong commitment from our supply chain to ensure maximum availability of materials and labour. The group has robust forward planning processes to provide our supply chains with as much forward visibility as possible, significantly mitigating the risk of supply shortages. Moreover, we have, where sensible, concentrated spend with core suppliers to maximise rebate opportunities in the face of extensive cost price inflation.

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Strategic report (continued)

Risk description	How it is mitigated
Health and safety	
The group works on projects which require continuous monitoring and management of health and safety risks.	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. Accident frequency rates remain well below the industry average. Health and safety remains the first agenda item at all board meetings, and is a critical focus for all directors.
Regulatory, market and economic	
The group operates in markets and segments that are influenced by a range of external factors. The resilience and performance of the construction sector, and the housing market in particular, is at risk from regulatory change, political change and the impact of monetary policy and financial system regulation.	The group maintains a diversified portfolio of operating activities, some of which behave in a counter-cyclical manner, and most of which are aligned to well-funded, blue chip client bases. The Board is alive to the challenges currently faced by the private housing market and has plans in place to mitigate the impact of any material decline by shifting resources to carry out intercompany work, as well as rightsizing the operating cost base to align to any significant reduction in turnover. Moreover, the group is confident that its balanced portfolio of revenues will permit a reasonable smoothing of cyclical patterns across industry segments, with other revenue streams rising to compensate for falls elsewhere.
Business process and IT systems	
To continue to expand the business, Esh Group acknowledges that information and associated technology must be robust and meet business needs.	The group has recently made significant investments in technology that has brought together a number of disparate processes, as well as driving greater use of digital tools to make the entire ‘order to cash’ process more integrated. This investment is expected to provide a sufficient operating platform for the group to achieve its business objectives.
Business is curtailed by COVID-19	
The after effects of the COVID-19 pandemic continue to exert operational challenges on the group.	With inflationary pressures now subsiding, and supply chains restored to near normal levels, the Board considers the impact of the COVID-19 pandemic to be insignificant for the group going forward. However, the learning from the pandemic is now embedded in our risk management processes, with appropriate tools ready to be deployed should such a situation re-occur.

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Strategic report (continued)

Streamlined Energy and Carbon Reporting (SECR) disclosure

Quantification and reporting methodology:

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

Operational scopes:

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

	Current year	**Previous year**
UK Greenhouse gas emissions and energy use data for the period 1st January to 31 December	**2022**	**2021**
Energy consumption used to calculate emissions (kWh)	**39,696,588**	**35,019,456**
Energy consumption breakdown (kWh):		
• gas	263,144	293,095
• electricity	249,947	251,467
• wood burning	0	0
• purchased fuel	39,183,497	34,474,894
SCOPE 1 emissions in metric tonnes CO2e		
Gas consumption	47.37	53.68
Purchased fuel - diesel, petrol & gas oil	10,028.43	8,965.09
Wood burning	0	0
Total Scope 1	**10,075.80**	**9,018.77**
SCOPE 2 emissions in metric tonnes CO2e		
Purchased electricity	48.33	53.39
Total Scope 2	**48.33**	**53.39**
SCOPE 3 emissions in metric tonnes CO2e		
Business Travel in employee owned vehicles	27.06	36.25
Total Scope 3	**27.06**	**36.25**
Total gross emissions in metric tonnes CO2e	**10,151.19**	**9,108.41**
Intensity ration Tonnes per employee	**14.12**	**12.90**

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Strategic report (continued)

Intensity measurement

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

Reasons for change in emissions

In 2022 the Group got back to working in a more normal way after the pandemic. A new hybrid working policy was introduced for office staff with a minimum three days working in the office. This has meant that fuel usage has raised slightly for office staff.

Fuel emissions are not as high as would have been projected due to the Group stopping using gas oil before 1st April 2022. Site fuel has moved from gas oil to diesel which has a lower emissions factor.

Office emissions of gas and electric have dropped due to the sale of the Esh Training Academy during 2022.

Measures taken to improve energy efficiency

Virtual meetings were still used as much as possible to save on travel where possible. Solar pod trials on sites to power cabins are still on going as replacements for diesel generators. A carbon reduction plan was developed with the help of Smart Carbon with plans on how to help reduce emissions. An in-cab driving coach has been installed in commercial vehicles to help reduce fuel usage.

Renewable electricity generated from owned or controlled sources

In 2022 we generated an estimated 33,420 kWh of electricity from the PV panels on Esh House, Bowburn.

Standards held in relation to energy & environmental

The Group currently hold the accreditations: ISO 50001:2018 and the Integrated Management System - ISO 14001:2015

Strategic report (continued)

Section 172 (1) statement
The Esh Group 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, 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 Construction's employees into account	Employee feedback is actively sought through staff surveys, team meetings and informal communication. The Leadership Team of the Esh Group take this feedback seriously and have an ongoing improvement plan for further enhancing employee engagement.
Fostering the company's business relationships with suppliers, customers and others, and maintaining a reputation for high standards of business conduct	As outlined in the Corporate Governance section of this report, the group maintains and enforces a suite of policies, notably on ethical behaviour.
The impact of Esh Construction 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.

AE Radcliffe
Director
28 September 2023

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

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

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

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

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

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

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.

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Corporate Governance (continued)

The Esh Group Board and Group Policies (continued)
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.

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Directors and advisors

Michael Hogan, Non-Executive Chairman | Tenure: 51 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: 13-years
Andrew (Andy) Radcliffe joined Esh Group in 2010 from Moores Furniture Group Limited in Wetherby, where he was Group Finance Director. Andy has extensive experience in several industry sectors and was awarded Yorkshire Finance Director of the Year in 2009. In May 2017, Andy assumed the role of Group Chief Executive Officer.

Stephen Wilkie | Executive Director | Tenure: 35-years
Stephen joined Lumsden and Carroll in 1987 as a trainee Engineer and was appointed Managing Director in 2008. In 2016 he was additionally appointed Executive Director of Esh Group's construction business. Stephen was a board member of CECA for 11 years and is also a Director of Esh Constructions utility JV company, Esh-Stantec. Stephen now oversees Esh Civils across the North East and Yorkshire and Deerness Fencing and Landscaping.

Phil Brown | Executive Director | Tenure: 17-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: 30-years (Appointed 22 April 2022)
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: 31-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.

Trading Name
Esh Group is a trading name of Esh Holdings Limited.

Company secretary of Esh Holdings Limited
A Law

Independent auditors
PricewaterhouseCoopers LLP
Level 5 and 6,
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Directors and advisors (continued)

Legal advisors

Muckle LLP	Swinburne Maddison LLP
Time Central	Venture House
32 Gallowgate	Aykley Heads Business Centre
Newcastle upon Tyne	Durham
NE1 8AS	DH1 5TS

Bankers

Lloyds Bank plc	Nucleus Commercial Finance Limited
4th Floor	Mezzanine Floor, St Albans House
102, Grey Street	57-59 Haymarket
Newcastle upon Tyne	London
NE1 6AG	SW1Y 4QX

Bibby Financial Services
3rd Floor
Walker House
Exchange Flags
Liverpool
L2 3YL

Esh Holdings Limited

Directors’ report

The directors present their directors’ report and audited financial statements for the year ended 31 December 2022.

Principal activities

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

Financial instruments

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

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

Interest rate risk

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

Liquidity risk

The group has an asset backed loan facility of £7m. 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.

In 2023 the group completed a refinance exercise that provides a replacement facility of £6m for three years.

At 31 December 2022, the Group had cash at bank and in hand of £12.4m, which is expected to be more than sufficient to fund the working capital needs for the Group.

Credit risk

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

Paid dividends

£nil dividends were paid in respect of the previous year (2021 nil).

Share capital

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

Result for the year

The result for the year is set out in the Strategic report.

Political contributions

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

AE Radcliffe
ST Wilkie
PJ Brown
MF Hogan
JG Lumsden Jnr.
AJ Carroll Snr. (Resigned 25th April 2022)
AJ Carroll Jnr. (Appointed 25th April 2022)
P Watson (Resigned 30th April 2022)

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

Employees
The Company 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 Company'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.

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.

Statement of directors' responsibilities (continued)
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.

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

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

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.

On behalf of the board

AE Radcliffe
Director
28 September 2023

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
United Kingdom
DH6 5PF

Independent auditors' report to the directors of Esh Holdings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Consolidated balance sheet and Company balance sheet as at 31 December 2022; Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity and Consolidated statement of cash flows for the year then ended; the Statement of accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

Reporting on other information (continued)

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors’ responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
28 September 2023

Esh Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	**2022**	2021
		£'000	£'000
Turnover			
Group and share of joint ventures		**286,811**	277,987
Less: Share of joint ventures' turnover		**(25,920)**	(23,085)
Group Turnover	1	**260,891**	254,902
Cost of sales		**(246,308)**	(237,731)
Gross Profit		**14,583**	17,171
Administrative expenses before exceptional items		**(14,970)**	(15,555)
Exceptional administrative expenses		**-**	(99)
Total administrative expenses		**(14,970)**	(15,654)
Share of operating profit in joint ventures		**3,252**	2,360
Operating profit after exceptional items		**2,865**	3,976
Operating profit after exceptional items	2	**2,865**	3,877
Profit on sale of fixed assets		**43**	117
Loss on sale of investments		**(118)**	(33)
Interest receivable and similar income	5	**103**	15
Interest payable and similar expenses	6	**(845)**	(953)
Profit before taxation		**2,048**	3,023
Add back loss attributable to minority interest		**-**	21
Profit before taxation attributable to owners of the parent		**2,048**	3,044
Tax on profit attributable to owners of the parent	7	**(488)**	283
Profit for the financial year attributable to owners of the parent		**1,560**	3,327

All results derive from continuing operations.

Esh Holdings Limited

Consolidated balance sheet as at 31 December 2022

	Note	£'000	2022 £'000	£'000	2021 £'000
Fixed assets					
Tangible assets	10		**8,632**		9,075
Investment properties	11		**387**		387
Investments in joint ventures and participating interests	12	**1,841**		551	
Loans to joint ventures and participating interests	12	**11,575**		10,422	
Total investments in joint ventures and participating interests			**13,416**		10,973
Total fixed assets and investments			**22,435**		20,435
Current assets					
Stocks	13	**1,024**		812	
Debtors: amounts falling due within one year	14	**56,646**		49,231	
Cash at bank and in hand		**12,414**		20,750	
		70,084		70,793	
Creditors: amounts falling due within one year	15	**(59,102)**		(59,371)	
Net current assets			**10,982**		11,422
Total assets less current liabilities			**33,417**		31,857
Creditors: amounts falling due after one year			**-**		-
Net assets			**33,417**		31,857
Capital and reserves					
Called up share capital	18		**22,256**		22,256
Share premium account			**29**		29
Employment benefit trust reserve	18		**(641)**		(641)
Retained earnings			**11,773**		10,213
Total shareholders' funds			**33,417**		31,857

The financial statements on pages 22 to 64 were approved by the board of directors on 28 Septemer 2023 and were signed on its behalf by:

AE Radcliffe
Director

Company registered number: **03724890**

Esh Holdings Limited

Company balance sheet as at 31 December 2022

	Note		2022		2021
		£'000	**£'000**	£'000	£'000
Fixed assets					
Tangible assets	10		**5,340**		6,629
Investment properties	11		**387**		387
Investments	12		**4,364**		6,441
			10,091		13,457
Current assets					
Debtors: amounts falling due within one year	14	**25,856**		24,784	
Cash at bank and in hand		**102**		48	
		25,958		24,832	
Creditors: amounts falling due within one year	15	**(18,445)**		(17,958)	
Net current assets			**7,513**		6,874
Total assets less current liabilities			**17,604**		20,331
Creditors: amounts falling due after one year			**-**		-
Net assets			**17,604**		20,331
Capital and reserves					
Called up share capital	18		**22,256**		22,256
Share premium account			**29**		29
Employment benefit trust reserve	18		**(641)**		(641)
Accumulated loss					
At 1 January			**(1,313)**		(801)
Loss for the year			**(2,727)**		(512)
Total shareholders' funds			**17,604**		20,331

The financial statements on pages 22 to 64 were approved by the board of directors on 28 September 2023 and were signed on its behalf by:

A E Radcliffe
Director

Company registered number: **03724890**

Esh Holdings Limited

Consolidated Statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Share premium account	Employment benefit trust reserve	Retained earning	Total shareholders' funds
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2021	22,256	29	(641)	6,886	28,530
Profit for the financial year	-	-	-	3,327	3,327
Total comprehensive expense for the year	-	-	-	3,327	3,327
Balance at 31 December 2021	**22,256**	**29**	**(641)**	**10,213**	**31,857**
Profit for the financial year	-	-	-	1,560	1,560
Total comprehensive expense for the year	-	-	-	1,560	1,560
Balance at 31 December 2022	**22,256**	**29**	**(641)**	**11,773**	**33,417**

Esh Holdings Limited

Company Statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Share premium account	Employment benefit trust reserve	Retained earning	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	22,256	29	(641)	(801)	20,843
Loss for the financial year	-	-	-	(512)	(512)
Total comprehensive expense for the year	-	-	-	(512)	(512)
Balance at 31 December 2021	**22,256**	**29**	**(641)**	**(1,313)**	**20,331**
Loss for the financial year	-	-	-	(2,727)	(2,727)
Total comprehensive expense for the year	-	-	-	(2,727)	(2,727)
Balance at 31 December 2022	**22,256**	**29**	**(641)**	**(4,040)**	**17,604**

Esh Holdings Limited

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Cash generated from operating activities	19	**(8,159)**	6,605
Taxation received / (paid)		**691**	(60)
Cash (used in) / generated from operating activities		**(7,468)**	6,545
Cashflow from investing activities			
Purchase of tangible assets		**(2,044)**	(547)
Proceeds from disposals of tangible assets		**1,667**	252
Investment in participating interests		**(1,440)**	-
Disposal of investments		**167**	-
Interest received		**103**	15
Dividends received		**1,230**	1,329
Cash (used in) / generated from investing activities		**(317)**	1,049
Cashflow from financing activities			
Repayment of bank borrowings/debt capitalisation		**-**	(1,450)
Interest paid		**(551)**	(759)
Net cash used in financing activities		**(551)**	(2,209)
Net increase/(decrease) in cash at bank and in hand		**(8,336)**	5,385
Cash and cash equivalents at the beginning of the year		**20,750**	15,365
Cash and cash equivalents at the end of the year		**12,414**	20,750

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 The United Kingdom. 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 £3.6m and closing net assets were £33.4m.

The group trades with a large number of customers and suppliers across a number of sectors and expects to meet day to day working capital requirements through existing considerable cash reserves, which totalled £12.4m (2021: £20.8m).The Group also has access to a £7m loan facility which is secured against assets within the business and which can be drawn down against the outstanding client applications and sales invoices of Esh Construction Limited.

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

Basis of consolidation
The 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.

Statement of accounting policies (continued)

Foreign Currency

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

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

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

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

(iii) Translation

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

Turnover

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

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

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

(a) Long/short term contracts

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

Statement of accounting policies (continued)

Turnover (continued)

(b) *Property sales*
Turnover on property sales is recognised upon legal completion of legal title to the customer.

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

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

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

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

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

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

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

Current or deferred taxation assets and liabilities are not discounted.

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

Statement of accounting policies (continued)

Taxation (continued)

(ii) *Deferred tax*

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

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

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

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

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

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

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

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

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

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

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.

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 land and 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. Investment properties are revalued every 3 years 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.

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.

Statement of accounting policies (continued)

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

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

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

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

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

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

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

(i) *Finance lease*

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

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

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

Statement of accounting policies (continued)

Leases (continued)

(i) *Finance lease (continued)*

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

(ii) *Operating lease*

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

(iii) *Lease incentives*

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

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

Stocks

Housebuilding stocks and work in progress

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

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

Other stocks

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

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

Cash and cash equivalents

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

Statement of accounting policies (continued)

Provisions and contingencies

(i) Provisions

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

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

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

(ii) Contingencies

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

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

Long term contracts

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

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

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

Statement of accounting policies (continued)

Financial instruments

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

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

(i) *Financial assets*

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

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

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

(ii) *Financial liabilities*

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

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

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

Statement of accounting policies (continued)

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

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

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

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

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

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

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

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

(iv) *Valuation investments in subsidiaries, associates and joint ventures*
Investments in subsidiaries, associates and joint ventures are initially included at cost. Regular reviews are carried out to identify any impairment with consideration to the existing value of the investment, likelihood of achieving future forecasted returns, 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 2022

1 Group Turnover

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

	2022	2021
	£'000	£'000
Construction	**216,052**	212,347
Housing and land	**23,438**	17,066
Property services	**21,307**	25,042
Business support	**94**	447
Group turnover	**260,891**	254,902

2 Operating profit after exceptional items

	2022	2021
	£'000	£'000
Operating profit/(loss) is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**859**	927
Hire of assets	**9,382**	8,758
Exceptional items:		
Restructuring costs	**-**	99

Exceptional items reflect the one-off impact to the business during the year including £nil (2021: £99,000) of restructuring costs.

2 Operating profit after exceptional items (continued)

Auditors' remuneration

	2022	2021
	£	£
Audit of the consolidated financial statements	**30**	30
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries	**158**	150
Taxation compliance services	**80**	80
Other tax advisory services	**-**	-

3 Directors' emoluments

Group

	2022	2021
	£'000	£'000
Directors' emoluments	**1,840**	1,038
Company contributions to money purchase pension schemes	**138**	59

The aggregate of emoluments of the highest paid director were £384,042 (2021: £276,558) and company pension contributions of £12,508 (2021: £11,931) were made to a money purchase scheme on his behalf. Several directors were remunerated through the group companies. No share options were exercised in the year, and no shares were received or receivable in respect of qualifying services.

Included in the directors' emoluments figures are redundancy payments of £75,300 (2021: nil)

	Number of directors	
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**5**	5

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

Esh Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

4 Staff numbers and costs

Group

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

	Number of employees	
	2022	2021
Production staff	**262**	277
Administrative staff	**453**	488
	715	765

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	**33,692**	33,000
Social security costs	**3,701**	3,432
Other pension costs (note 22)	**1,463**	1,358
	38,856	37,790

Included in staff costs for the group are redundancy payments of £406,525 (2021: £99,000)

Company

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

	Number of employees	
	2022	2021
Production staff (weekly paid)	**-**	-
Administrative staff (monthly paid)	**60**	58
	60	58

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	**3,715**	2,856
Social security costs	**366**	311
Other pension costs (note 22)	**195**	146
	4,276	3,313

Included in staff costs for the group are redundancy payments of £352,243 (2021: nil)

5 Interest receivable and similar income

	2022	2021
	£'000	£'000
Bank interest	**103**	15

6 Interest payable and similar expenses

	2022	2021
	£'000	£'000
On bank loans and overdrafts	**845**	953
	845	953

7 Tax on profit attributable to owners of the parent

a) Tax charge included in profit

	2022	2021
	£'000	£'000
UK corporation tax:		
Current tax on income for the year	**-**	-
Adjustments in respect of prior years	**(340)**	(295)
	(340)	(295)
Shares of joint ventures' current tax	**533**	569
Total current tax	**193**	274
Deferred tax (see note 16)		
Origination/reversal of timing differences	**(380)**	(659)
Adjustment in respect of prior years	**675**	102
Total deferred tax	**295**	(557)
Tax on profit/(loss)	**488**	(283)

b) Reconciliation of tax credit

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2022	2021
Total tax reconciliation	**£'000**	£'000
Profit before taxation	**2,048**	3,044
Current tax at 19% (2021: 19%)	**389**	579
Effects of:		
Tax losses	**-**	-
Income not taxable	**(61)**	-
Tax rate changes	**(186)**	(591)
Group relief surrendered/claimed	**-**	(207)
Items not taxable or deductible	**(59)**	-
Expenses not deductible for tax purposes	**70**	208
Adjustments in respect of prior years	**335**	(272)
Total tax credit for the year (see above)	**488**	(283)

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

Tax rate changes

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

8 Dividends

The aggregate amount of dividends paid in year comprises:

	2022	2021
	£'000	£'000
Non-voting preferences shares £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	-	-
	-	-

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Intangible assets

Group

	Goodwill	Negative Goodwill	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2022	1,128	(2,277)	(1,149)
Acquisition			-
Disposal			-
At 31 December 2022	1,128	(2,277)	(1,149)
Accumulated amortisation			
At 1 January 2022	1,128	(2,277)	(1,149)
Disposal			-
Charged in year			-
At 31 December 2022	1,128	(2,277)	(1,149)
Net book value			
At 31 December 2022	-	-	-
At 31 December 2021	-	-	-

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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Tangible assets

Group

	Freehold land and Buildings £'000	Leasehold properties £'000	Plant & Machinery £'000	Total £'000
Cost				
At 1 January 2022	7,180	67	8,985	16,232
Acquisition			2,044	2,044
Disposal	(1,435)	(11)	(2,583)	(4,029)
At 31 December 2022	5,745	56	8,446	14,247
Accumulated depreciation				
At 1 January 2022	639	32	6,486	7,157
Charge for year	78	6	775	859
On disposals	(186)	(2)	(2,213)	(2,401)
At 31 December 2022	531	36	5,048	5,615
Net book value				-
At 31 December 2022	5,214	20	3,398	8,632
At 31 December 2021	6,541	35	2,499	9,075

Included in the total net book value of plant and machinery is £nil (2021: £nil) in respect of assets held under finance leases and similar hire purchase contracts.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

10 Tangible assets (continued)

Company

	Freehold land and buildings £'000	Plant & machinery £'000	Total £'000
Cost			
At 1 January 2022	7,168	699	7,867
Acquisition	-	76	76
Disposal	(1,435)	-	(1,435)
At 31 December 2022	5,733	775	6,508
Accumulated depreciation			
At 1 January 2022	626	612	1,238
Disposal	78	38	116
Charged in year	(186)	-	(186)
At 31 December 2022	518	650	1,168
Net book value			
At 31 December 2022	5,215	125	5,340
At 31 December 2021	6,542	87	6,629

Included in the total net book value of plant and machinery is £nil (2021: £nil) in respect of assets held under finance leases and similar hire purchase contracts.

11 Investment properties

	Group £'000	Company £'000
Valuation and net book value		
At 1 January 2022	387	387
At 31 December 2022	387	387

Investment properties are revalued every 3 years by independent professionally qualified valuers and in the intervening years by the directors with the assistance of independent professional advice as required.

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 (2021: £387,000).

The historical cost of the Company’s investment properties is £387,000 (2021: £387,000).

Notes to the financial statements for the year ended 31 December 2022 (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 2022	-	1,374	120	9,833	11,327
Additions	-	875	-	565	1,440
Disposal	-	-	-	(167)	(167)
At 31 December 2022	**-**	**2,249**	**120**	**10,231**	**12,600**
Provisions					
At 1 January 2022	-	-	-	(905)	(905)
At 31 December 2022	**-**	**-**	**-**	**(905)**	**(905)**
Share of post-acquisition reserves					
At 1 January 2022	551	-	-	-	551
Retained profits less losses	1,170	-	-	-	1,170
At 31 December 2022	**1,721**	**-**	**-**	**-**	**1,721**
Net book value					
At 31 December 2022	**1,721**	**2,249**	**120**	**9,326**	**13,416**
At 31 December 2021	551	1,374	120	8,928	10,973

Esh Holdings Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

12 Investments (continued)

Company

	Shares in group undertakings £'000	Loans to subsidiaries £'000	Shares in joint ventures £'000	Loans to joint ventures £'000	Loans to participating interests £'000	Total £'000
Cost						
At 1 January 2022	26408	556	398	366	731	28,459
Prior year adjustment	397	-	-	-	-	397
Revised Cost at 1 January 2022	26,805	556	398	366	731	28,856
Disposal	(2,263)	-	-	(366)	(167)	(2,796)
At 31 December 2022	**24,542**	**556**	**398**	**-**	**564**	**26,060**
Provisions						
At 1 January 2022	(20,698)	(556)	(398)	(366)	-	(22,018)
Prior year adjustment	(397)	-	-	-	-	(397)
Revised Cost at 1 January 2022	(21,095)	(556)	(398)	(366)	-	(22,415)
Disposal	353	-	-	366	-	719
At 31 December 2022	**(20,742)**	**(556)**	**(398)**	**-**	**-**	**(21,696)**
Net book value						
At 31 December 2022	**3,800**	**-**	**-**	**-**	**564**	**4,364**
At 31 December 2021	5,710	-	-	-	731	6,441

A prior year adjustment of £397k to correct the cost and provision of shares in group undertakings brought forward. The net carrying value is unaffected.

At the end of 2022 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 2022 (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
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 Homes Limited	100%	Housebuilder
Esh Remedios Limited[1,2]	51%	Site investigation
J Tonks (Transport) Limited	100%	Waste disposal and recycling
Lumsden & Carroll Limited[1]	100%	Commercial builder
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

Notes to the financial statements
for the year ended 31 December 2022 (continued)

12 Investments (continued)

Joint ventures	Proportion of voting rights and shares held	Nature of business
Boathouse Lane (Freehold) Limited[1]	50%	Non-trading
Eastbourne JV Limited	50%	Housebuilder
Esh Energy Limited[1]	49%	Dissolved 19th November 2019
Esh Stantec Limited	50%	Civil engineering
Esh Salutation Road Limited	50%	Housebuilder
Heighington JV Limited	50%	Housebuilder
West Park JV Limited	50%	Housebuilder
Middleton St George JV Limited	50%	Housebuilder
Prestige Exclusive Homes Limited[1]	50%	Property development
Neasham Road JV Limited	50%	Housebuilder
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 [1]investment held indirectly [2]scottish registered company**

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

The registered office of Esh Holdings Limited is Esh House, Bowburn North Industrial Estate, Durham DH6 5PF. All subsidiaries, Joint ventures and Participating Interests are also registered at Esh House, with the exception of companies registered in Scotland as marked above which are registered at Botany Mill, Roxburgh St, Galashiels, Scotland, TD1 1PB.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

13 Stocks

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Land stock and work in progress	**303**	212	**-**	-
Raw materials and consumables	**721**	600	**-**	-
	1,024	812	**-**	-

The amount of stock recognised as an expense during the year was £3,194,929 (2021: £4,235,007)

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

14 Debtors amounts falling due within one year

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade Debtors	**10,240**	6,665	**24**	28
Amounts recoverable on contracts	**24,295**	25,831	**-**	-
Amounts owed by group undertakings	**13,816**	10,557	**24,445**	23,952
Deferred tax (note 16)	**2,493**	3,077	**566**	183
VAT receivable	**-**	-	**-**	-
Amounts owed by undertakings in which the entity has a participating interest	**1,809**	1,548	**5**	5
Corporation tax recoverable		-	**-**	28
Other debtors	**1,990**	149	**125**	194
Prepayments and accrued income	**2,003**	1,404	**691**	394
	56,646	49,231	**25,856**	24,784

Notes to the financial statements
for the year ended 31 December 2022 (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Payments received on account	**6,763**	5,625	**-**	-
Trade creditors	**8,597**	8,954	**398**	422
Amounts owed to group undertakings	**-**	-	**14,589**	15,725
Amounts owed to undertakings in which the entity has a participating interest	**14**	-	**-**	-
VAT payable	**1,935**	-	**224**	-
Corporation tax	**89**	55	**16**	-
Other taxation and social security	**1,516**	4,983	**163**	350
Other creditors	**2,022**	2,119	**205**	642
Accruals and deferred income	**38,166**	37,635	**2,850**	819
	59,102	59,371	**18,445**	17,958

The Group has access to a £7m loan facility which is secured against assets of the business as specified in note 20. Funds can be drawn down against the unpaid client applications and sales invoices in Esh Construction Limited. Interest is charged by means of a fixed monthly charge of £40.6k. At December 2022 the balance drawn on the loan was £nil (2021: £nil).

In 2023 the group completed a refinance exercise that provides a replacement facility of £6m for three years.

Amounts owed to group undertakings do not bear interest and are not secured.

16 Provisions for deferred tax

	Group	Company
	£'000	£'000
Provision for deferred tax:		
At 1 January 2022 (note 14)	3,077	183
Credit to the profit and loss current year (note 6)	310	281
Adjustment in respect of prior period	(675)	-
Disposal of investment in group subsidiary	(219)	-
Credit to the profit and loss prior year (note 6)	-	102
	2,493	566

16 Provisions for deferred tax (continued)

The elements of deferred taxation are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Differences between accumulated depreciation and capital allowances	(1,061)	(605)	(659)	(660)
Short term differences	22	33	3	16
R&D expenditure credit	42		13	-
On losses carried forward	3,490	3,649	1,209	827
	2,493	3,077	**566**	183

17 Financial instruments

Group
The Group has the following financial instruments:

		2022	2021
	Note	**£'000**	£'000
Financial assets measured at amortised cost:			
Trade debtors	14	**10,240**	6,665
Amounts recoverable on contracts	14	**24,295**	25,831
Amounts owed by group undertakings	14	**13,816**	10,557
Amounts owed by undertakings in which the entity has a participating interest	14	**1,809**	1,548
Other debtors	14	**1,990**	149
		52,150	44,750

17 Financial instruments (continued)

Group (continued)

	Note	**2022**	2021
		£'000	£'000
Financial liabilities measured at amortised cost:			
Amounts owed to undertakings in which the entity has a participating interest	15	**14**	-
Payments received on account	15	**6,763**	5,625
Trade creditors	15	**8,597**	8,954
Other creditors	15	**2,022**	2,119
Accruals	15	**38,166**	37,635
Other taxation and social security	15	**1,516**	4,983
		57,078	59,316

Company

	Note	**2022**	2021
		£'000	£'000
Financial assets measured at amortised cost:			
Trade debtors	14	**24**	28
Amounts owed by group undertakings	14	**24,445**	23,952
Amounts owed by undertakings in which the entity has a participating interest	14	**5**	5
Other debtors	14	**125**	194
Corporation tax	14	**-**	28
		24,599	24,207

17 Financial instruments (continued)

	Note	**2022** **£'000**	2021 £'000
Financial liabilities measured at amortised cost:			
Amounts owed to group undertakings	15	**14,589**	15,725
Trade creditors	15	**398**	422
Other creditors	15	**205**	642
Accruals	15	**2,850**	819
Other taxation and social security	15	**163**	350
		18,205	17,958

18 Called up share capital

Group and company

	Number of shares	**2022** **£'000**	Number of shares	2021 £'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.

18 Called up share capital (continued)

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

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

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

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

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

Employment benefit trust (EBT) reserve consists of shares repurchased by the Group's Employee Benefit Trust. At the end of the year the EBT held 229,743 preference shares of £1 each (2021: 229,743), nil non-voting shares of 0.1p each (2021: 0.1p) and 305,783 voting ordinary shares of £1 each (2021: 305,783) at a combined cost of £640,972 (2021: £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.

19 Reconciliation of operating profit to operating cash flows

	2022	2021
	£'000	£'000
Profit/(loss) for the financial year attributable to owners of the parent	**1,560**	3,327
(Loss)/profit for the financial year attributable to minority interest	**-**	(21)
Profit/(loss) for the financial year	**1,560**	3,306
Tax on loss attributable to owners of the parent	**488**	(283)
Tax on loss attributable to minority interest	**-**	-
Net interest expense	**743**	939
Income from shares in group undertakings	**-**	-
(Loss)/gain from sale of investments	**-**	32
Profit from joint ventures	**(3,252)**	(2,360)
Negative goodwill on acquisition	**-**	-
Profit/(loss) on sale of fixed assets	**(43)**	(117)
Operating (loss)/profit	**(504)**	1,517
Amortisation of intangible assets	**-**	-
Depreciation of tangible assets	**859**	927
Revaluation of investment property	**-**	-
Working capital movements		
- (Increase)/decrease in inventories	**(211)**	2,732
- (Increase)/decrease in debtors	**(8,001)**	(4,286)
- Increase/(decrease) in payables	**(302)**	5,715
Cash generated from operating activities	**(8,159)**	6,605

20 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, 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 2022 amounted to £nil (2021: £nil).

There are no other known contingent liabilities.

21 Commitments

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

	Group		**Company**	
	2022	**2022**	**2022**	2021
	£'000	**£'000**	**£'000**	£'000
Contracted	-	**-**	-	-

At 31 December 2022 the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022	2021
	£'000	£'000
Group		
Operating leases which expire:		
Within one year	**405**	161
Later than one year	**343**	431
More than five years	**-**	-
	748	592

22 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 £1,462,842 (2021: £1,358,000). Contributions amounts to £25,867 (2021: £193,970) 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 £195,086 (2021: £146,000).

Contributions amounting to £3,886 (2021: £24,175) were payable to the scheme and are included in creditors.

23 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 the United Kingdom.

The largest group in which the results of the Company are consolidated is that headed by Esh Investments Limited, incorporated in the United Kingdom and registered at Esh House, Bowburn North Industrial Estate, Durham DH6 5PF. 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

24 Related party transactions

Transactions with related companies during the year ended 31 December 2022 and 31 December 2021 were:

	Sales		Purchases		Debtors		Creditors	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Micropump (NE) Limited								
Trade	**-**	-	**-**	-	**-**	1	**-**	-
Prestige Exclusive Homes Limited								
Trade	**-**	-	**-**	-	**-**	-	**-**	-
Loan	**-**	-	**-**	-	**305**	300	**-**	-
Middleton St George Limited								
Trade	**28**	436	**9**	-	**-**	65	**11**	-
ESH DBC Limited								
Trade	**5,370**	1,068	**13**	-	**388**	174	**-**	-
West Park JV Limited								
Trade	**9,882**	8,386	**53**	-	**483**	730	**-**	-
Eastbourne JV Limited								
Trade	**10**	97	**4**	-	**-**	-	**1**	-
Heighington JV Limited								
Trade	**7**	187	**1**	-	**6**	17	**2**	-
Esh Salutation Road Limited								
Trade	**-**	(2)	**8**	4	**-**	-	**-**	12
Neasham Road JV Limited								
Trade	**8,694**	2,543	**12**	-	**627**	261	**-**	-
	23,991	12,715	**100**	4	**1,809**	1,548	**14**	12

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.

25 Post balance sheet event

At the end of the financial year the group had an asset backed loan facility of £7m that allows the group to draw down loan against the level of debtors which are outstanding at any time, and to manage its working capital in an effective and flexible manner.

In 2023 the group completed a refinance exercise that provides a replacement facility of £6m for three years.

This event is not expected to have an impact on the company's financial position, results of operations of cash flows in the future.