Registered No. 4179330

Weston Group Plc

Annual Report and Financial Statements

31 July 2018

Directors

R P Weston
S P Bickel
M W Alden
S R Thomas
J G Y Wood
J E Stock
J R Lewis
R J Downing (Non-executive)
M A Chapman (Non-executive)
S Miles-Brown (Non-executive)

Secretary

R P Weston

Independent Auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

HSBC Bank plc
London Commercial Banking Centre
71 Queen Victoria Street
London
EC4V 4AY

Bank of Ireland
Bow Bells House
1 Bread Street
London
EC4M 9BE

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

Allied Irish Banks (GB)
St Helens, 1 Undershaft
London
EC3A 8AB

Registered Office

The Weston Group Business Centre
Parsonage Road
Takeley
Essex
CM22 6PU

Solicitors

Nockolds Solicitors Ltd
6 Market Square
Bishop's Stortford
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CM23 3UZ

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Fladgate LLP
16 Great Queen Street
London
WC2B 5DG

Strategic report

Review of the business and future developments

This has been a landmark year for the Group with the delivery of record results and a substantial increase in net assets to the highest level in the Group's history.

The Group's total revenue for the year reached record levels at £257.1m, an increase of £58.5m or 29.4% over last year. This was driven by the strong performance of Weston Homes Plc, the Group's residential and commercial development business where the total number of sales completions increased by 162 units to 737 units. Income from the sale of open market residential and commercial property increased by 31.5% to £235.6m and revenue recognised on long term contracts in respect of affordable housing grew by 24.9% to £19.0m. The revenue delivered by the serviced office and environmental consultancy businesses was broadly in line with last year. Overall, gross profit increased by £16.2m in 2018 to £62.6m with gross margin increasing by 1.0% to 24.3%.

Administrative expenses increased by £3.2m to £26.4m. This was substantially due to an increase in employee costs as the Group continued to secure resources to underpin it's growth plans. Administrative expenses represented 10.2% of revenue, down from 11.6% in 2017. This, combined with an increased gross margin meant that the operating margin increased from 11.8% in 2017 to 14.2% in 2018 with total operating profit increasing by 54.5% to £36.4m.

Net finance costs charged directly to the income statement increased slightly from £1.1m in 2017 to £1.2m meaning that Group pre-tax profit for the year increased to the record level of £35.2m. This was up by £12.8m which is a substantial increase of 57% when compared to the £22.4m achieved in 2017.

Due to the impact of a reduction in the standard rate of corporation tax in the UK, the Group's effective tax rate fell to 20% this year (2017: 21.3%) resulting in a tax expense of £7.1m (2017: £4.8m) and a profit for the year of £28.1m (2017: £17.6m).

Dividends of £3.0m were paid to ordinary shareholders in the year and whilst they were £0.5m higher than last year the proportion of post-tax profits that were retained in the business increased by 3.5% to 89.3%.

Due to the high levels of profit retained in the business, net assets increased by £25.1m or 42.2% to £84.7m at 31st July 2018. This means that over the past four years the Group has more than trebled its net assets to its highest ever level as the Board delivers on its strategy for growth.

In total, inventories fell slightly during the year to £240.1m at 31 July 2018. The level of work in progress comprising development land and buildings and residual freeholds reduced by £2.1m to £236.9m. This was the effect of the delivery of an increased level of completions slightly outweighing the investment made in ongoing and future developments. This was offset to some degree by the amount of consumable stock held by the business which increased by £1.3m to £3.3m with levels being built up in advance of the opening of the new Braintree Logistics Centre in the autumn of 2018.

The Group generated cash of £30.9m from operating activities during the year and total net debt reduced from £148.7m to £123.8m at 31st July 2018, a reduction of 16.7%.

The Board are committed to the growth of the business. The past year has seen the Group exchange on or complete on the purchase of a number of substantial schemes in the South East of England, significantly increasing the total number of units in the development pipeline from 3,052 last year to 5,866 at 31st July 2018.

Strategic report (continued)

Review of the business and future developments (continued)

The majority of the Group's funding is provided by its banks via a revolving credit facility. During the year AIB joined HSBC, Lloyds Banking Group and Bank of Ireland in the syndicate and negotiations were completed with all of the banks to increase the facility overall to £200m on a permanent basis through to April 2020. At 31st July 2018 £111.2m (2017: £136.0m) of net bank debt was drawn providing headroom of £88.8m. This, combined with the equity being delivered by ongoing developments, will provide the funding required to make the substantial investment in new developments that the Group has planned over the coming year. We have a strong longstanding relationship with our banks and are pleased that AIB have joined the syndicate this year. We are delighted with the confidence and the level of support and commitment that all of our banks have in the business and look forward to working with them all going forward. We anticipate holding negotiations with our banks in the coming months in preparation for the facility renewal in 2020.

During the year the Group made an equity settled share based payment to certain employees of the Group which involved the issue of ordinary B shares to those employees. Further details are set out in note 32.

The Group was recently presented with the President's Award from RoSPA (Royal Society for the Prevention of Accidents) as recognition of the achievement of eleven consecutive gold awards for high standards of health and safety across the organisation. The Board are proud of this record and remain committed to the achievement of the highest possible health and safety conditions for all of our employees and subcontractors working on our sites along with our customers who visit or live at our developments.

The ongoing growth of the business provides increased opportunities for existing employees to develop their careers and to attract new talent to the organisation. There is a major recruitment drive underway to ensure that we identify and recruit more staff. The average number of employees for the year increased to 425 (2017: 385) with the actual number reaching 449 at the year end. The Board remain dedicated to training and development and currently over 10% of our employees are trainees who are at various stages of our sponsored programmes.

It has always been the Group's policy to secure a substantial level of forward sales in advance of delivery from its developments. This continuing policy enables us to have early visibility of income from completions and provides some certainty to our forecasting as well as giving a cash benefit during the course of a development from the deposits and stage payments received. Having delivered record level of revenue we are pleased to have ended the financial year with a forward sales book of £248.0m representing 954 units from 17 developments which will contribute to revenue over the next 3 years. We expect to build this book both from existing ongoing schemes and a number of new schemes launching during the year ahead.

The Board are delighted with the steady and sustained growth of the business. Since 2014 revenue has been increased from £116.4m to £257.1m and pre-tax profits have grown from £6.3m to £35.2m. This has resulted in net assets increasing by £57.2m to £84.7m during the four year period.

The business is well placed and remains in a very strong financial position and the Board remain focussed on the delivery of further net asset growth in the years to come and, whilst recognising a degree of caution with the UK's exit from the European Union and the potential impact on the economy and the housing market, there is every confidence that this can be delivered.

Strategic report (continued)

Key performance indicators

Financial		2018	2017
Operating margin	Operating profit as a percentage of revenue. We regard this as an important measure of the quality of financial returns.	14.15%	11.85%
Retained profit	Retained profit as a percentage of profit after tax. A measure used to show the amount of profit retained in the business for future growth.	89.3%	85.8%
Net assets	Value of the net assets of the Group. Monitored on a monthly basis as part of bank covenant compliance.	£84.7m	£59.6m
Work in progress	Value of work in progress of the Group at the year end measured by stock of development land and buildings and residual freeholds.	£236.9m	£239.0m
Net debt	Value of net debt. Managed on a weekly basis as part of bank covenant compliance.	£123.8m	£148.7m
Cash flow from operating activities	Value of cash flow from operating activities during the financial year.	£45.5m inflow	£7.9m outflow
Forward sales	Value of sales which are reserved or exchanged which will complete after the end of the financial year.	£248.0m	£248.7m

Non Financial		2018	2017
Units in the development cycle	Number of units which are in the planning, design, construction or sales process at the year end.	5,866	3,052
Sales completions	Number of units which were completed from a sales perspective during the financial year. Targets are set to compare against actual performance on a weekly basis.	737	575

Risk factors

Like all businesses, the Group faces a number of key strategic risks. Some are inherent to the industry and others are more specific. The Board regularly review these risks in order to minimise their potential impact. The principal risks are:

- **Macroeconomic climate and deterioration in the housing market**: the house building industry is extremely sensitive to changes in the general economic climate. Whilst this is outside the Group's control it is the most fundamental risk to its continued success. To minimise the impact, product analysis and evolution is a continual process to ensure that the Group is the market leader on quality and value for money. The close monitoring of changing market conditions in each location also allows for quick realignment of price and other incentives to attract potential customers away from competitors and also to satisfy mortgage providers. To date the Group has not experienced any negative impacts following the decision to leave the European Union. However, the effects in the medium to longer term are difficult to predict with any certainty and the Board will continue to monitor the situation closely.

Strategic report (continued)

Risk factors (continued)

- **Availability of mortgage finance**: lending criteria for mortgages remains a key issue in the current environment. The availability of such finance is crucial to our customers' ability to purchase our product. To mitigate this risk we have actively supported government initiatives including 'Help to Buy' to widen our customer base and to maximise the possibility for customers to secure relevant funding. In addition, the Group launched its own 'First Time Secure Buy Scheme', which aims to assist first time buyers enter the property market.

- **Liquidity and funding**: our ability to continue in operation is the access to sufficient short and long term funding. Actual cash balances in hand are confirmed daily. Any shortfalls are made up using the banking facilities which are pre agreed and in place for a number of years. To manage cash flow effectively, detailed forecasts are prepared and reviewed on a regular basis to ensure that sufficient funds are available and that banking covenants are not breached. The Group maintains a strong relationship with its banks who are provided with detailed forecasts and trading updates on a regular basis.

- **Interest rate fluctuations**: being highly geared, profitability is impacted by interest rate movements. The Group closely monitors movements in LIBOR and regularly assesses the impact on the business and the need for the use of suitable hedging instruments.

- **Build and cost management**: delays in the construction process and additional build costs can have an adverse effect on cash flow and profitability. Poor build quality can lead to additional costs being incurred and also tarnish the reputation of the Group. Detailed appraisals are prepared for each development prior to acquisition with cost movements and build programs monitored closely by key personnel across the business each month throughout the build program. Post completion meetings are undertaken for every development. A dedicated Quality Control team rigorously assesses every property and only once signed off can notice be served for that property to complete.

- **Land supply and planning**: failure to purchase sufficient new land for development at the right time and at the right price would adversely affect future profitability. The Group's strength in this respect is in its ability to react swiftly in making quick decisions when a prospective deal is on the table. The length of time a detailed consent can take to achieve is also a major factor to consider in the process. However, with a dedicated in-house planning team, the bottlenecks which can occur in the planning system and delay the process are reduced as far as possible.

- **Health and safety**: providing a safe environment for every individual who either works on or visits our sites is critical to the success of the Group and the Board takes it's responsibilities for Health and Safety extremely seriously. A significant incident could put people or the environment at risk adversely affecting the business' reputation. A dedicated in-house Health and Safety department operates across the Group to ensure standards are applied and met. There is also a quarterly Health and Safety awards scheme which helps maintain the profile and critical importance to all staff.

By order of the Board

R P Weston
Secretary

6 November 2018

Directors' report

The directors present their annual report and the Group financial statements for the year ended 31 July 2018.

Results and dividends

The profit for the year, after taxation, amounted to £28.1m (2017: £17.6m). During the year the directors approved a dividend of £3.0m (2017: £2.5m).

Going concern

The Group has in place with its club of banks a £200m revolving facility up until April 2020. On the basis of our current forecasts no breaches in covenants are anticipated and the Group has sufficient cash to manage its working capital needs. The financial statements have therefore been prepared on the going concern basis.

Principal activity

The Company is the holding company of the Group. The Group's principal activity is that of residential property development.

Political and charitable contributions

During the year, the Group made charitable contributions of £368,000 (2017: £203,000).

Directors

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

R P Weston	
S P Bickel	
M W Alden	
S R Thomas	
J G Y Wood	
J E Stock	
J R Lewis	
R J Downing	(Non-executive)
M A Chapman	(Non-executive)
S Miles-Brown	(Non-executive)

Directors' and officers' indemnity insurance

The Company has taken out insurance to indemnify, against third party proceedings, subject to the conditions set out in section 234 of the Companies Act 2006, the directors of the Company whilst serving on the Board of the Company and of any subsidiary. This cover, where relevant, indemnifies all employees of the Group who serve on the board of all subsidiaries.

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 July 2018, the Group had an average of 12 days (2017: 12 days) purchases outstanding in trade payables.

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that any appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of the other employees.

The Group is committed to equality of opportunity and has an active equal opportunities policy, to promote an environment free from discrimination, where everyone will receive equal treatment regardless of their gender, colour, ethnic or national origin, disability, age, martial status, sexual orientation or religion. Recruitment and employment practices are applied which are fair, equitable and consistent to achieve equality of opportunity.

Employee involvement

The Group recognises the importance of its employees and is committed to effective communication and consultation.

Presentations occur throughout the year, to which all employees are invited. The presentations cover progress against targets, financial results, the future and matters affecting the business. This is to ensure all employees are informed and aware of what is going on in the business.

Employee Forums are utilised where practicable to invite wider employee opinion about changes under consideration. Surveys are carried out periodically to gauge employee satisfaction levels and ascertain the focus when improvement is indicated.

Financial instruments

The Group finances its activities with a combination of bank loans, redeemable preference shares, finance leases and hire purchase contracts, cash and short term deposits as disclosed in note 21. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities such as trade receivables and trade payables arise directly from the Group's operating activities.

Financial instruments give rise to interest rate, credit and liquidity risk. Information on these is set out in note 24 as are the objectives, policies and processes for their management and the methods used to measure each risk.

Directors' report (continued)

Auditors

PricewaterhouseCoopers LLP were appointed to fill a casual vacancy during the year. In accordance with s485 of the Companies Act 2006, a resolution to appoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

R P Weston
Secretary

6 November 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent auditors' report to the members of Weston Group Plc

Report on the audit of the financial statements

Opinion

In our opinion, Weston Group Plc'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 July 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 July 2018; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year ended 31 July 2018; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

We remained independent of the 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

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

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

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

Independent auditors' report to the members of Weston Group Plc
(continued)

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.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2018 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 in respect of the financial statements set out on page 9, 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.

Independent auditors' report to the members of Weston Group Plc
(continued)

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

4 November 2018

Consolidated income statement
for the year ended 31 July 2018

	Notes	*2018* *£'000*	*2017* *£'000*
Revenue	5	257,073	198,601
Cost of sales		(194,485)	(152,178)
Gross profit		62,588	46,423
Administrative expenses		(26,361)	(23,130)
Other operating income		137	236
Operating profit		36,364	23,529
Finance income	10	40	22
Finance costs	11	(1,227)	(1,142)
Profit before tax		35,177	22,409
Income tax expense	12	(7,069)	(4,777)
Profit for the year		28,108	17,632

The results presented above are derived from continuing operations of the Group.

Consolidated statement of comprehensive income
for the year ended 31 July 2018

Total comprehensive income for the year represents the profit for the year of £28,107,839 (2017: £17,632,558).

The notes on pages 18 to 38 are an integral part of these consolidated financial statements.

Statement of changes in equity
at 31 July 2018

Consolidated statement of changes in equity

	Notes	*Share capital £'000*	*Capital redemption £'000*	*Retained earnings £'000*	*Total £'000*
At 1 August 2016		245	4,180	39,999	44,424
Total comprehensive income for the year		-	-	17,632	17,632
Equity dividends paid	13	-	-	(2,500)	(2,500)
At 31 July 2017		245	4,180	55,131	59,556
Total comprehensive income for the year		-	-	28,108	28,108
Share based payments	32	-	-	11	11
Issue of new ordinary shares	25	1	-	-	1
Equity dividends paid	13	-	-	(3,000)	(3,000)
At 31 July 2018		246	4,180	80,250	84,676

Company statement of changes in equity

	Notes	*Share capital £'000*	*Merger reserve £'000*	*Capital redemption £'000*	*Retained earnings £'000*	*Total £'000*
At 1 August 2016		245	4,313	2,880	724	8,162
Total comprehensive income for the year		-	-	-	2,579	2,579
Equity dividends paid	13	-	-	-	(2,500)	(2,500)
At 31 July 2017		245	4,313	2,880	803	8,241
Total comprehensive income for the year		-	-	-	2,849	2,849
Share based payments	32	-	-	-	11	11
Issue of new ordinary shares	25	1	-	-	-	1
Equity dividends paid	13	-	-	-	(3,000)	(3,000)
At 31 July 2018		246	4,313	2,880	663	8,102

The notes on pages 18 to 38 are an integral part of these consolidated financial statements.

Consolidated balance sheet
at 31 July 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	14	224	129
Property, plant and equipment	15	9,005	8,374
Deferred tax asset	12	113	79
Other receivables	19	89	237
		9,431	8,819
Current assets			
Inventories	17	240,141	241,004
Trade and other receivables	19	4,553	5,999
Cash at bank and in hand	20	11,756	31,499
		256,450	278,502
Total assets		265,881	287,321
Current liabilities			
Loans and borrowings	21	2,210	2,831
Trade and other payables	22	42,618	46,575
Income tax payable		4,285	2,693
		49,113	52,099
Non-current liabilities			
Loans and borrowings	21	131,925	175,512
Provisions for liabilities	23	167	154
		132,092	175,666
Total liabilities		181,205	227,765
Net assets		84,676	59,556
Capital and reserves			
Share capital	25	246	245
Capital redemption reserve	26	4,180	4,180
Retained earnings	26	80,250	55,131
Total equity		84,676	59,556

The notes on pages 18 to 38 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 6 November 2018 and were signed on its behalf by:

R P Weston
Director

S R Thomas
Director

Registered No. 4179330

Company balance sheet
at 31 July 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investments	16	5,089	5,089
Current assets			
Trade and other receivables	19	4,271	4,404
Total assets		9,360	9,493
Current liabilities			
Trade and other payables	22	602	595
Income tax payable		31	32
		633	627
Non-current liabilities			
Loans and borrowings	21	625	625
Total liabilities		1,258	1,252
Net assets		8,102	8,241
Capital and reserves			
Share capital	25	246	245
Capital redemption reserve	26	2,880	2,880
Merger reserve	26	4,313	4,313
Retained earnings	26	663	803
Total equity		8,102	8,241

The notes on pages 18 to 38 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent Company profit and loss account. The profit for the parent Company for the year was £2,848,608 (2017: £2,579,092).

The financial statements were approved by the Board of Directors on 6 November 2018 and were signed on its behalf by:

R P Weston
Director

S R Thomas
Director

Consolidated and Company statement of cash flows

for the year ended 31 July 2018

		Group		Company	
		2018	*2017*	*2018*	*2017*
	Notes	*£'000*	*£'000*	*£'000*	*£'000*
Cash flows from operating activities					
Cash inflow/(outflow) from operations	27	45,533	(7,920)	(117)	580
Interest paid		(8,269)	(6,892)	-	(10)
Interest element of finance lease rental payments		(82)	(72)	-	-
Non-equity dividends paid		(722)	(722)	(50)	(50)
Tax paid		(5,511)	(4,393)	(10)	-
Net cash inflow/(outflow) from operating activities		30,949	(19,999)	(177)	520
Cash flows from investing activities					
Acquisition of property, plant and equipment		(2,040)	(703)	-	-
Payments to acquire intangible assets		(163)	(82)	-	-
Proceeds on disposal of property, plant and equipment		762	253	-	-
Equity dividends received		-	-	3,000	2,500
Interest received		40	22	176	180
Net cash (outflow)/inflow from investing activities		(1,401)	(510)	3,176	2,680
Cash flows from financing activities					
Capital element of finance lease rental payments		(1,792)	(1,869)	-	-
Increase in bank loans and borrowings		89,500	126,614	-	-
Repayment of bank loans and borrowings		(134,000)	(87,200)	-	(700)
Issue of ordinary shares	25	1	-	1	-
Equity dividends paid		(3,000)	(2,500)	(3,000)	(2,500)
Net cash (outflow)/inflow from financing activities		(49,291)	35,045	(2,999)	(3,200)
Net (decrease)/increase in cash		(19,743)	14,536	-	-
Cash at bank and in hand brought forward		31,499	16,963	-	-
Cash at bank and in hand carried forward		11,756	31,499	-	-

Notes to the financial statements

at 31 July 2018

1 Corporate information

Weston Group Plc, the Company is a limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 4179330). The Company is domiciled in the United Kingdom and its registered address is The Weston Group Business Centre, Parsonage Road, Takeley, Essex, CM22 6PU.

The financial statements of Weston Group Plc were approved for issue by the board of directors on 6 November 2018.

The principal activity of Weston Group Plc and its subsidiary undertakings ("the Group") is that of residential property development.

The Group is ultimately controlled by R P Weston and The Taylor Family Trust.

2 Accounting policies

2.1 Basis of preparation

The consolidated statements of historic financial information of the Group have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the historical cost basis except as disclosed in these accounting policies.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

2.2 Basis of consolidation

The Group financial statements consolidate the accounts of Weston Group Plc and its subsidiary undertakings drawn up to 31 July 2018.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement or statement of comprehensive income for the Company alone.

Notes to the financial statements (continued)
at 31 July 2018

2 Accounting policies (continued)

2.2 Basis of consolidation (continued)

Merger reserve
The Company has taken advantage of the exemption in respect of merger reserve and merger accounting.

2.3 Significant accounting policies

Going concern
The financial statements have been prepared on a going concern basis. The directors consider that it is appropriate for the financial statements to be prepared on this basis having considered all relevant information, including the Group's trading and cash flow forecasts, the trading opportunities available to the Group and the on going support of its banks.

Revenue and profit recognition
Revenue and profit is recognised at the point of legal completion of each property except for construction contracts. Profit on construction contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. These contracts are primarily for affordable homes and the profit is calculated to reflect the proportion of the work carried out at the year end, by recording revenue and related costs as contract activity progresses. Revenue is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Dividend income
Dividend income is recognised when the Company's right to receive the payment is established.

Segment reporting
Operating segments are identified in a manner consistent with internal reporting packs provided to the Board of directors who are considered the Chief Operating Decision Maker.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost represents expenditure that is directly attributable to the purchase of the asset.

Depreciation is charged on all items within property, plant and equipment except land so as to write off the cost of assets less their residual values over their estimated useful lives, on the following basis:

Plant and machinery	- 25% reducing balance
Motor vehicles	- 25% reducing balance
Office equipment	- 25% reducing balance
Leasehold improvements	- 25% reducing balance or over the lease term, whichever is shorter
Freehold land improvements	- 25% reducing balance

The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets

Acquired computer software is capitalised on the basis of costs incurred to bring to use the specific software and amortised on a straight line basis over an estimated useful life of three years, charged to administrative expenses.

Notes to the financial statements (continued)
at 31 July 2018

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Impairment of property, plant and equipment and intangible assets
The carrying values of property, plant and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Inventories
Development land and buildings are valued at the lower of cost and net realisable value and includes the cost of land and direct construction costs including borrowing costs directly attributable to development of properties. Residual freehold interests are shown separately at cost within inventories if a contract has been exchanged for sale to a third party at the balance sheet date.

Financial instruments

a) Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss. The Group determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short term deposits and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from the impairment are recognised in the income statement in other operating expenses.

b) Financial Liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities as fair value through profit or loss. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Notes to the financial statements (continued)
at 31 July 2018

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Trade and other payables
Trade and other payables on normal terms are not interest bearing and are stated at their nominal value.

Borrowing costs
Borrowing costs not directly attributable to the development of properties are charged to the income statement as incurred. Borrowing costs that are attributable to the development of properties are capitalised from the date of the initial expenditure on a given development commencing and continues until the properties are ready for sale. After this point has been reached any further borrowing costs charged to such properties are not capitalised but are written off directly to the income statement under finance costs.

Deposits received in advance
Deposits received on reservation and exchange of contracts of open market properties are held within trade and other payables until legal completion of the related property.

Cash at bank and in hand
Cash in the balance sheet comprise cash at banks and in hand.

Leases and hire purchase commitments
Leasing and hire purchase commitments assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

Employee benefits
The Group operates defined contribution pension schemes. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Notes to the financial statements (continued)
at 31 July 2018

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Investments
Fixed asset investments are shown at cost less any provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

(a) Carrying value of development land and buildings
Inventories include work in progress in respect of development land and buildings. Judgement is required to assess whether the cost being carried in the balance sheet is in excess of its net realisable value for each development site. This is achieved through regular monitoring of each site's financial appraisal as it moves through the development cycle.

(b) Revenue recognition
When a contract is judged to be a construction contract, revenue is recognised using the percentage-of-completion method as construction progresses. The Group considers the terms of the contract to identify projects as construction contracts. Judgement is required to assess the percentage completion on each contact as this involves estimating the total expected costs to completion and hence the profit recognised in a particular accounting period.

Notes to the financial statements (continued)
at 31 July 2018

4 New standards and interpretations

The following standards and interpretations that are anticipated to be relevant to the Group have an effective date after the date of these statements of historic financial information. The Group has not early adopted them and plans to adopt them from the effective dates. The directors are in the process of analysing the effect of new standards on the Group.

Endorsed by the EU:

Standard or interpretation	*Title*	*Effective for accounting periods beginning on or after*
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers including amendments	1 January 2018

The Group is currently considering the implications of the standards on the financial performance and position of the Group, and it is anticipated that the impact will be minimal and effects will principally relate to amendment and extension of current disclosures.

IFRS 16	Leases	1 January 2019

The key effect of this standard will be to require the Group to create a long term depreciating 'right of use' asset and corresponding lease liability for leases currently classified as operating leases and charged over the lease term in accordance with the current standard IAS 17 Leases. The Group is currently considering the impact of the standard on it's financial performance and postion. The Group operates a number of such operating leases, principally in relation to office buildings (see note 29 for further information).

Amendments to Standards:

Endorsed by the EU:

Standard or interpretation	*Title*	*Effective for accounting periods beginning on or after*
IFRS 2	Share Based Payments	1 January 2018
IFRS 9	Financial Instruments	1 January 2019
Annual Improvements to IFRSs 2014-2016 cycle		1 January 2018

Not yet endorsed by the EU:

Standard or interpretation	*Title*	*Effective for accounting periods beginning on or after*
Annual Improvements to IFRSs 2015-2017 cycle		1 January 2019

Notes to the financial statements (continued)
at 31 July 2018

5 Revenue

	2018 £'000	2017 £'000
Sale of residential and commercial property	235,593	179,106
Sales from construction contracts	19,047	15,253
Sale of freehold reversions	937	2,797
Rendering of services	974	898
Rental income received	522	547
	257,073	198,601

6 Segmental reporting

The Chief Operating Decision Maker is the Board, who monitor the operating results of the business as one segment, that of residential property development. The Group operates entirely within the United Kingdom.

7 Operating profit

This is stated after charging:

		2018 £'000	2017 £'000
Depreciation:			
Owned assets		1,390	1,313
Assets under hire purchase		854	974
Amortisation of intangible assets		68	43
Loss on sale of tangible assets		34	2
Auditor's remuneration	- audit of the Company and Group financial statements	73	65
	- audit related assurance services	5	20
Operating lease rentals	- land and buildings	1,497	1,448
		3,921	3,865

8 Staff numbers and costs

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

	Number of employees 2018 No.	2017 No.
Directors – company	10	10
Directors – subsidiaries	8	7
Office	213	188
Site	148	140
Conferences and serviced offices	25	23
Environmental consultancy	21	17
	425	385

Notes to the financial statements (continued)
at 31 July 2018

8 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	26,114	22,459
Social security costs	3,058	2,587
Pension costs	1,858	1,568
	31,030	26,614

Pensions
The Group operates defined contribution pension schemes in respect of the directors and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost for the year is disclosed above and there were no unpaid contributions at the year end (2017: £Nil).

Key management personnel
The Group considers that its directors and non statutory regional directors of Weston Homes Plc are key management personnel for the purposes of IAS 24 Related Party disclosures. In addition to their salaries the Group also provides non-cash benefits and contributes to the defined contribution pension scheme on their behalf.

The aggregate payroll costs of key management were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	8,117	6,373
Social security costs	1,156	944
Termination benefits	50	267
Defined contribution pension costs	316	332
	9,639	7,916

9 Directors' emoluments

	2018	2017
	£'000	£'000
Directors' emoluments	5,055	4,128
Company contributions to money purchase pension schemes	90	127
Highest paid director:		
Emoluments	1,335	1,585
Company contributions paid to money purchase pension schemes	-	-

10 Finance income

	2018	2017
	£'000	£'000
Other interest	40	22
	40	22

Notes to the financial statements (continued)
at 31 July 2018

11 Finance costs

	2018 £'000	2017 £'000
Bank loans and overdrafts	423	341
Finance charges payable under finance leases	62	71
Dividends on redeemable 8% preference shares of £1 each	722	722
Other interest payable	20	8
	1,227	1,142

Reconciliation of finance costs (including non-equity dividends)	2018 £'000	2017 £'000
Interest paid	9,073	7,686
Movement in prepaid finance costs	457	565
Creditor movement	(617)	390
Movement in interest capitalised in the year	(949)	(2,919)
Total charged to the income statement	7,964	5,722

Split as follows:		
Included in cost of sales	6,737	4,580
Included in finance costs above	1,227	1,142
Total charged to the income statement	7,964	5,722

12 Taxation

(a) Tax charged in the consolidated income statement

	2018 £'000	2017 £'000
Current income tax:		
UK corporation tax on profits of the period	7,090	4,782
Adjustments in respect of previous periods	13	(36)
Total current tax	7,103	4,746
Deferred tax:		
Origination and reversal of temporary differences	(18)	(2)
Impact of change in tax rate or laws	2	4
Adjustments in respect of prior year	(18)	29
Total deferred tax	(34)	31
Total tax expense in the income statement	7,069	4,777

Notes to the financial statements (continued)
at 31 July 2018

12 Taxation (continued)

(b) Reconciliation of total tax charge

The tax expense in the income statement for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.67%).

The differences are reconciled below:

	2018	*2017*
	£'000	*£'000*
Profit before tax	35,177	22,409
Profit for the year multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.67%)	6,684	4,408
Expenses not deductible for tax purposes	251	230
Adjustments in respect of prior periods	(5)	(7)
Dividends not subject to tax	137	142
Effect of other tax rates	2	4
Total tax expense reported in the income statement	7,069	4,777

(c) Change in Corporation Tax rate

The Group's results for the accounting period have been taxed at 19%.

A further rate reduction to 17% effective from April 2020 has been substantively enacted and therefore any relevant deferred tax balances at the balance sheet date have been measured at the enacted rate.

(d) Deferred tax

The deferred tax assets included in the balance sheet are as follows:

	2018	*2017*
	£'000	*£'000*
Accelerated capital allowances	109	88
Other	4	(9)
Deferred tax assets	113	79

Provided deferred tax movements:	*£'000*
At 1 August 2017	79
Deferred tax credited to the income statement for the period	34
At 31 July 2018	113

13 Dividends paid

	2018	*2017*
	£'000	*£'000*
Equity dividend on ordinary shares - final dividend of 12.2p (2017: 10.2p)	3,000	2,500

Notes to the financial statements (continued)
at 31 July 2018

14 Intangible assets

	Computer software £'000
Cost:	
At 1 August 2017	454
Additions	163
At 31 July 2018	617
Amortisation:	
At 1 August 2017	325
Charge for the year	68
At 31 July 2018	393
Net book value:	
At 31 July 2018	224
At 31 July 2017	129

Notes to the financial statements (continued)
at 31 July 2018

15 Property, plant and equipment

	Land and freehold £'000	Leasehold property £'000	Motor vehicles £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost:						
At 1 August 2017	1,095	2,391	5,348	7,568	2,228	18,630
Additions	-	506	2,456	401	308	3,671
Disposals	(6)	-	(2,003)	(687)	(1)	(2,697)
At 31 July 2018	1,089	2,897	5,801	7,282	2,535	19,604
Depreciation:						
At 1 August 2017	107	1,467	2,462	4,653	1,567	10,256
Charge for the year	88	235	960	763	198	2,244
Disposals	-	-	(1,271)	(630)	-	(1,901)
At 31 July 2018	195	1,702	2,151	4,786	1,765	10,599
Net book value:						
At 31 July 2018	894	1,195	3,650	2,496	770	9,005
At 31 July 2017	988	924	2,886	2,915	661	8,374

Assets held under finance leases

The carrying value of motor vehicles held under finance leases and hire purchase contracts at 31 July 2018 was £1,910,000 (2017: £1,560,000). Additions during the year include £1,348,000 (2017: £814,000) of motor vehicles under finance leases and hire purchase contracts.

The carrying value of plant and machinery held under finance leases and hire purchase contracts at 31 July 2018 was £1,252,000 (2017: £1,893,000). Additions during the year include £174,000 (2017: £460,000) of plant and machinery under finance leases and hire purchase contracts.

The carrying value of office equipment held under finance leases and hire purchase contracts at 31 July 2018 was £66,000 (2017: £88,000). Additions during the year include £Nil (2017: £108,000) of office equipment under finance leases and hire purchase contracts.

16 Investments

Company - Subsidiary undertakings

	£ '000
Cost at 31 July 2018 and 31 July 2017	5,089
Net book value at 31 July 2018 and 31 July 2017	5,089

Notes to the financial statements (continued)
at 31 July 2018

16 Investments (continued)

The company holds 100% of share capital of the following subsidiary undertakings:

Name	*Class of shares*	*Nature of business*
Weston Homes Plc	Ordinary	Property developers
Weston Homes (31 Millharbour) Ltd*	Ordinary	Property developers
Weston Homes (41 Millharbour) Ltd*	Ordinary	Property developers
Weston Homes (Basildon) Ltd*	Ordinary	Property developers
Weston Homes (Battersea) Ltd*	Ordinary	Property developers
Weston Homes (City) Ltd*	Ordinary	Property developers
Weston Homes (Commercial) Ltd*	Ordinary	Property developers
Weston Homes (Housing) Ltd*	Ordinary	Property developers
Weston Homes (Ipswich) Ltd*	Ordinary	Property developers
Weston Homes (Refurbishment) Ltd*	Ordinary	Property developers
Stansted Environmental Services Ltd	Ordinary	Environmental consultancy
Weston (Business Centres) Ltd	Ordinary	Conferences and serviced offices
Weston (Aviation) Limited	Ordinary	Dormant
Weston (Plant Hire) Limited*	Ordinary	Dormant
Weston Homes Group Limited	Ordinary	Dormant
Weston (UK) Limited	Ordinary	Dormant
Weston (Logistics) Limited	Ordinary	Dormant
Weston Corporation Limited	Ordinary	Dormant
Ezee Living Limited	Ordinary	Dormant

** held indirectly*

17 Inventories

	2018	*2017*
	£'000	*£'000*
Development land and buildings	228,767	230,454
Residual freeholds	8,113	8,571
Consumables	3,261	1,979
	240,141	241,004

Included in development land and buildings are capitalised borrowing costs of £9,546,338 (2017: £8,597,203).

Inventories recognised as an expense in the year and included in cost of sales were £195,393,373 (2017: £152,706,262).

18 Construction contracts

The aggregate amount of costs incurred plus recognised profits for all contracts in progress that had not reached practical completion at the reporting date was £27,472,480 (2017: £12,622,040).

Notes to the financial statements (continued)
at 31 July 2018

19 Trade and other receivables

	Group		Company	
	2018	*2017*	*2018*	*2017*
Current receivables:	*£'000*	*£'000*	*£'000*	*£'000*
Trade receivables	774	292	-	-
Amounts recoverable on contracts	748	2,631	-	-
Amounts owed by group undertakings	-	-	4,271	4,404
Other receivables	1,610	2,144	-	-
Prepayments and accrued income	1,421	932	-	-
	4,553	5,999	4,271	4,404
Non-current receivables:				
Other receivables	89	237	-	-
	89	237	-	-

As at 31 July 2018, trade receivables of £774,000 (2017: £292,000) were fully performing.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

20 Cash at bank and in hand

Cash in the balance sheet comprises cash at bank and in hand.

21 Loans and borrowings

	Group		Company	
	2018	*2017*	*2018*	*2017*
	£'000	*£'000*	*£'000*	*£'000*
Current:				
Finance leases and hire purchase contracts	1,210	1,331	-	-
Redeemable 8% preference shares of £1 each	1,000	1,500	-	-
	2,210	2,831	-	-

	Group		Company	
	2018	*2017*	*2018*	*2017*
	£'000	*£'000*	*£'000*	*£'000*
Non current:				
Revolving Credit Facility (RCF)	121,623	165,665	-	-
Finance leases and hire purchase contracts	933	978	-	-
Redeemable 8% preference shares of £1 each	8,025	7,525	625	625
Unsecured loan	1,344	1,344	-	-
	131,925	175,512	625	625

Notes to the financial statements (continued)

at 31 July 2018

21 Loans and borrowings (continued)

The Revolving Credit Facility (RCF) is provided by HSBC, Bank of Scotland, Bank of Ireland and Allied Irish Banks. The facility matures on 6 April 2020 and is shown above net of prepaid finance costs of £1,377,415 (2017: £1,835,003). Interest is charged on this facility at LIBOR plus a margin of 3.625%.

The RCF is secured by guarantees and debentures over the Group's assets and fixed charges over current development sites and are monitored by financial covenants.

The 8% preference shares of £1 each are redeemable at the option of the Company on dates agreed with the preference shareholders in the years between 2018 and 2027. In the Group figures £1,000,000 (2017: £1,500,000) is repayable within one year, £4,000,000 (2017: £4,000,000) is repayable between two and five years and £4,025,000 (2017: £3,525,000) after five years. In the Company only figures £625,000 of the redeemable 8% preference shares of £1 each are redeemable by the Company on 21 March 2026. No premium is payable upon redemption. These preference shareholders are entitled to dividends of 8% on each share held in respect of every year in which the Company has sufficient realised profits to be able to pay a dividend. The preference shareholders have the right on a winding-up to repayment in priority to any payment to the holders of any other shares in the capital of the Company, of the amount paid for the preference shares and any arrears or accruals of the fixed dividends on the preference shares.

The Group has finance lease and hire purchase contracts for various items of plant and machinery and motor vehicles. The Group's obligations are secured by a fixed charge over specific tangible fixed assets of the Group. Future minimum lease payments under these contracts as follows:

	Group		*Company*	
	2018	*2017*	*2018*	*2017*
	£'000	*£'000*	*£'000*	*£'000*
Within one year	1,210	1,331	-	-
Later than one year and less than five years	933	978	-	-
	2,143	2,309	-	-

The difference between total minimum lease payments and the present value of minimum lease payments is immaterial.

There is no material difference between the fair value of the Group's borrowings and their book values.

22 Trade and other payables

	Group		*Company*	
	2018	*2017*	*2018*	*2017*
	£'000	*£'000*	*£'000*	*£'000*
Current liabilities:				
Trade payables	2,849	5,504	-	-
Other payables	1,101	1,023	602	595
Other creditors including taxes and social security	1,090	1,345	-	-
Accruals	22,597	21,721	-	-
Deferred income	14,981	16,982	-	-
	42,618	46,575	602	595

Notes to the financial statements (continued)
at 31 July 2018

23 Provisions for liabilities

	Dilapidations
	£'000
At 1 August 2017	154
Increase in provision during the year	13
At 31 July 2018	167

A provision has been made for the Group's future obligation to yield up leasehold properties in line with covenants contained in the relevant operating leases. It is expected that the costs will be incurred during the years 2025, 2033 and 2034.

The difference between the present value of the provision and the future cash outflow is immaterial.

24 Financial risk management

The Group is exposed to a variety of financial risks including market risk, liquidity risk, credit risk and interest rate risk. The Group's principal financial instruments are:

- loans and borrowings; and
- trade and other receivables, trade and other payables and cash arising directly from operations.

This note provides further detail on financial risk management and includes quantitative information on the specific risks.

Market risk
The Group is exposed to the risk of changes in interest rates both in terms of movements in the base rate and the LIBOR and also from the banks' attitude to risk affecting the margin applied to each new facility.

The Group's exposure is primarily to the financial risks of changes in interest rates in relation to loans and borrowings under its Revolving Credit Facility (RCF). In order to assess this risk, interest costs are reviewed on a monthly basis over a five year period using estimates of likely changes in the rates and the actual costs are compared to this forecast.

Sensitivity analysis
The Group recognises that movements in certain risk variables might affect the value of its loans and also the amounts recorded in its equity and its profit and loss for the period. Therefore the Group has assessed the following risks as detailed on the next page:

Notes to the financial statements (continued)

at 31 July 2018

24 Financial risk management (continued)

Liquidity risk

Cash flow is regularly monitored. Short term cash requirements are monitored on a daily basis whilst medium to longer term needs are assessed and forecast forward over a five year period on a Group wide basis. Long-term funding requirements are considered in conjunction with the Group's long-term strategy, with an objective of aligning both in a timely manner.

The table below summarises the maturity profile of the Group's gross, undiscounted financial liabilities (including future interest payments) at 31 July 2018 and 31 July 2017.

Liquidity risk at 31 July 2018

	Notes	*On demand*	*Less than one year*	*Between one and five years*	*More than five years*	*Total*
		£'000	*£'000*	*£'000*	*£'000*	*£'000*
Interest bearing loans and borrowings	21	-	2,307	126,556	5,369	134,232
Trade and other payables	22	-	26,547	-	-	26,547
		-	28,854	126,556	5,369	160,779

Liquidity risk at 31 July 2017

	Notes	*On demand*	*Less than one year*	*Between one and five years*	*More than five years*	*Total*
		£'000	*£'000*	*£'000*	*£'000*	*£'000*
Interest bearing loans and borrowings	21	-	4,336	170,643	4,869	179,848
Trade and other payables	22	-	28,248	-	-	28,248
		-	32,584	170,643	4,869	208,096

Interest rate risk

Due to the high levels of interest bearing loans and borrowings notably under the RCF, the Group has a potential exposure to interest rate movements.

A 0.5% movement in the interest rate (LIBOR) applied to the borrowings under the RCF would have an impact on the Group's profit before taxation as below:

	Effect on profit before tax	
A 0.5% change in the LIBOR:	*2018*	*2017*
	£'000	*£'000*
Impact on profit before tax	279	244

An element of the 0.5% movement in the interest rate (LIBOR) applied to the borrowings under the RCF would also be capitalised into inventories at the balance sheet date impacting the Group's future profits before taxation as follows:

	2018	*2017*
	£'000	*£'000*
Amount capitalised into inventories impacting future profits	538	594

Notes to the financial statements (continued)
at 31 July 2018

24 Financial risk management (continued)

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its cash and cash equivalents and trade receivables.

Credit risk from balances with banks and financial institutions is managed by depositing with reputable financial institutions, from which management believes loss to be remote. The Group's maximum exposure to credit risk for the components of the balance sheet is the carrying amounts of cash at bank and in hand. Trade and other receivables includes amounts due under construction contracts predominately from housing associations and the Group considers their credit quality to be good and hence credit risk to considered to be low.

Capital management policy
The primary objective of the Group's capital management is to ensure that it has the capital required to operate as a going concern and to grow the business at a reasonable cost of capital without incurring undue financial risks. The Group defines its capital as equity plus net debt where net debt is calculated as borrowings (including preference shares) less cash (note 28).

The directors consider the management of debt to be an important element in controlling the capital structure of the Group. The Group does carry significant levels of long term borrowings to fund operations and working capital requirements. Capital requirements change over time as the Group grows and is kept under constant review by the board to ensure that sufficient cash is in place to fund future developments.

25 Share capital

	2018	*2017*
	£'000	*£'000*
24,500,942 Ordinary shares of £0.01 each	245	245
98,137,137 B Ordinary shares of £0.00001 each	1	-
	246	245

During the year the Company issued 98,137,137 B Ordinary shares of £0.00001 to set up an equity based share based payment plan (see note 32).

26 Reserves

Group and company

(a) Capital redemption reserve
A statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

(b) Retained earnings
This reserve records the accumulated realised profits and losses carried forward to future periods, less any dividend declarations.

Company

(a) Merger reserve
This reserve records the difference between the cost of an investment and the nominal value of the share capital acquired.

Notes to the financial statements (continued)
at 31 July 2018

27 Reconciliation of operating profit/(loss) to net cash flows from operating activities

	Group		*Company*	
	2018	*2017*	*2018*	*2017*
	£'000	*£'000*	*£'000*	*£'000*
Operating profit/(loss)	36,364	23,529	(267)	-
Depreciation and amortisation	2,312	2,330	-	-
Loss on sale of property, plant and equipment	34	2	-	-
Finance costs included in cost of sales (Note 11)	6,737	4,580	-	-
Share based payments (Note 32)	11	-	11	-
Decrease/(increase) in inventories	1,813	(44,203)	-	-
Decrease/(increase) in trade and other receivables	1,594	(3,284)	133	1,090
(Decrease)/increase in trade and other payables	(3,332)	9,126	6	(510)
Net cash inflow/(outflow) from operations	45,533	(7,920)	(117)	580

28 Analysis of net debt

Group

	Opening balance	*Cash flows*	*Non cash movements*	*Closing balance*
	£'000	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	31,499	(19,743)	-	11,756
Loans	(168,844)	44,500	-	(124,344)
Preference shares	(9,025)	-	-	(9,025)
Finance leases	(2,309)	1,792	(1,626)	(2,143)
Net debt	(148,679)	26,549	(1,626)	(123,756)

Company

	Opening balance	*Cash flows*	*Non cash movements*	*Closing balance*
	£'000	*£'000*	*£'000*	*£'000*
Loans	-		-	-
Preference shares	(625)	-	-	(625)
Net debt	(625)	-	-	(625)

29 Operating lease commitments

The Group has entered into operating leases on land and buildings. Future minimum rentals payable under these non-cancellable operating leases as at year end are as follows:

	Group	
	2018	*2017*
	£'000	*£'000*
Not later than one year	1,598	1,426
After one year and less than five years	6,336	5,830
After five years	17,576	17,043
	25,510	24,299

Notes to the financial statements (continued)
at 31 July 2018

30 Commitments and contingent liabilities

The Group has contingent liabilities in respect of bonds and other agreements entered into in the normal course of business.

The Company has given an unlimited cross guarantee in respect of the bank borrowings of Group undertakings. At 31 July 2018 the bank borrowings amounted to £123,000,000 (2017: £167,500,000).

The Company has given guarantees in respect of two operating leases entered into by a subsidiary undertaking of an annual amount of £1,363,000 (2017: £1,264,000).

31 Related party transactions

Other payables include the following amounts which are owed to individuals who are directors of the Company:

	2018	*2017*
	£'000	*£'000*
R P Weston	331	324

Included in non-current liabilities and current liabilities are loan balances of £1,343,943 (2017: £1,343,943) and £6,400,000 redeemable 8% preference shares of £1 each (2017: £6,400,000) owed to A E Bickel, who is the mother of S P Bickel, a director of the Company. During the year £Nil (2017: £142,191) was paid for the provision of the loan facility and £512,000 (2017: £512,000) in dividends on the redeemable 8% preference shares of £1 each. The dividends are shown under finance costs.

Also included in non-current liabilities and current liabilities are £2,000,000 redeemable 8% preference shares of £1 each (2017: £2,000,000). Of these, £1,000,000 (2017: £1,000,000) are owed to S P Bickel and his wife L Bickel whilst the other £1,000,000 (2017: £1,000,000) are owed to S Hoenig, the sister of S P Bickel and her husband N Hoenig. Dividends of £80,000 (2017: £80,000) were paid during the year to S P Bickel and L Bickel and £80,000 (2017: £80,000) to S Hoenig and N Hoenig. The dividends are shown under finance costs.

Included in non-current liabilities in the Company only figures are 625,000 redeemable 8% preference shares of £1 each to the Weston Homes Plc Pension Scheme. During the year dividends of £50,000 (2017: £50,000) were paid in respect of these. This is shown under finance costs.

Included in current liabilities is a loan balance of £265,000 (2017: £265,000) owed to A Taylor. A Taylor is considered to have significant influence over The Taylor Family Trust, which owns a significant number of the shares of Weston Group Plc.

During the year, goods and services to the value of £4,402,390 (2017: £7,157,045), were acquired from R G Taylor Engineering Limited, which is part owned by A Taylor. A Taylor is considered to have significant influence over The Taylor Family Trust, which owns a significant number of the shares of Weston Group Plc. These transactions were at normal prices and on normal business terms.

The Company received interest on inter company balances from Weston Homes Plc amounting to £175,616 (2017: £179,802). At the balance sheet date £4,270,650 (2017: £4,403,647) was owed to the Company by Weston Homes Plc.

During the year S R Thomas, a Director of the Company and his wife purchased a property from a Group Company for a total value of £259,000 (2017: £Nil). In addition a Group Company also carried out construction works for R P Weston, a Director of the Company totalling £182,282 (2017: £675,734). Both transactions were at normal prices and on normal business terms and no amounts were outstanding at the year end.

Notes to the financial statements (continued)
at 31 July 2018

32 Share based payments

During the year the Company made an equity settled share based payment to certain employees of the Group. The shares issued to those employees were B ordinary shares. These shares cannot typically be transferred for 10 years from issue and, in certain circumstances, must be forfeited to the Company if the employee leaves. The B ordinary shareholders are entitled to dividends in any year after the preference share dividends have been fully paid and £3.5m has been distributed to Ordinary Shareholders in the same period; and a limited return of equity on sale, flotation or liquidation of the Group (the "Exit").

The shares have been valued based on the expected returns, discounted to present value.

The Capital Asset Pricing Methodology was used to help determine an appropriate discount rate to apply to the returns expected to accrue to the B ordinary shares on Exit. The discount rate reflects volatility risk and the level of influence of the holders on the business.

Expected future dividend distributions have been discounted using the Company's cost of equity of 11.5% estimated based on analysis of comparable companies.

The Group recognised total expenses of £11,397 related to equity-settled share-based payment transactions in 2018.