

Registered No. 4179330

# **Weston Group Plc**

## **Annual Report and Financial Statements**

31 July 2016

## Weston Group Plc

Registered No. 4179330

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### 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

### Auditors

Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire LU1 3LU

### Bankers

HSBC Bank Plc  
Corporate Banking Real Estate London  
6th Floor  
165 Fleet Street  
London EC4A 2DY

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

Lloyds Banking Group  
25 Gresham Street  
London  
EC2V 7HN

### Registered Office

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

### Solicitors

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

Macfarlanes LLP  
20 Cursitor Street  
London  
EC4A 1LT

Fladgate LLP  
16 Great Queen Street  
London  
WC2B 5DG

## Strategic report

### Accounting standard change

During the year the Board took the decision to change from reporting under UK GAAP to International Financial Reporting Standards (IFRS) and the results contained in this report are the first set of financial statements reflecting this change. The impact on the results for 2016 and 2015 is minimal and is shown in note 33.

### Review of the business and future developments

The Group has performed strongly again this year and has delivered a solid set of results.

The results of the Group's core business of residential property development improved with revenue, profits and net assets all growing on the back of an increased number of sales completions at higher average prices. The other two areas of the Group, serviced offices (including conferencing) and environmental services, also sustained the growth seen in previous years, with both reporting higher revenue and improved net assets.

The property market in the South East of England continues to be buoyant and has seen robust growth in sales volumes and values over recent years, particularly in the £300 to £800 per square foot sector where the Group principally operates. The demand for new homes in the South East of England contributed to excellent sales rates across the Group's development sites, which meant that forward sales improved again during the year. The value of forward sales at 31st July 2016 went up by £11.5m to £179.4m. Forward sales have continued to increase since the year end and now exceed £235m. This not only underlines the strength of the market, but also illustrates the attractiveness, affordability and quality of the product the Group is offering.

The number of sales completions increased this year from 617 to 622. Sales prices achieved were also higher which meant that revenue increased by £15.6m or 11.3% to £154.1m and the margin improved too with gross profit increasing by 17.3% to £37.5m.

Administrative expenses were £4.4m higher than the prior year at £20.5m, primarily as a result of an increase in average staff numbers from 268 to 346, as the Group continued to invest in its workforce to support future growth. Interest payable and similar charges fell by £0.7m to £1.2m.

Profit before tax of £16.0m represented an increase of £1.9m or 13.2% from 2015. The tax charge of £3.5m was significantly lower, with the effective rate of 21.9% down from 33.8%. Ordinary dividends paid of £2.5m were consistent with 2015. Therefore, with a higher profit after tax, a greater proportion of profit, 80%, was retained in the business, resulting in an increase in net assets to £44.4m.

The Group generated significant levels of cash during the year, with a large proportion of this being reinvested in development land. The Group spent a record amount of £75.6m on purchasing new development sites compared to £62.5m in 2015, producing the net cash outflow from operating activities of £32.0m as shown in note 28. This investment has also given rise to a higher number of units in the development cycle which increased by 28.1% to 2,145 units as shown within the Key Performance Indicators (KPIs) on page 4. A significant amount has also been invested in the construction of existing sites so that the value of work in progress at the balance sheet date increased by 47.7% from £130.5m to £192.7m. Net debt increased 62.4% from £76.5m to £124.2m.

The Group has invested heavily in fixed assets during the year, spending £4.4m. Notably, £1.9m of plant and machinery was purchased as the business continues to be self-sufficient in providing its own plant on site, and £1.6m was spent on its motor fleet, predominantly due to increased staff numbers.

The Board has ambitious plans for growth and to support these plans, during the year the Group negotiated an increase in its revolving credit facility from £120m to £200m including a £40m accordion option whilst at the same time extending it until April 2020. The Bank of Ireland re-joined the syndicate with HSBC and Lloyds Banking Group.

## Strategic report (continued)

### Review of the business and future developments (continued)

As the business continues to grow and with significant investment having been made for future expansion, there has been a drive to recruit staff at all levels across the business, which has led to the increase in average staff numbers. The Board is pleased with the commitment of its workforce and the contribution it has made and continues to make to the business.

The Group has always been committed to the training of its workforce and has a long history of developing its staff to help fill the skills gap in the construction industry. The Group's apprenticeship schemes are specifically aimed at addressing this skills gap culminating in 19 new starters across these schemes during the year.

The Board is also committed to delivering the highest possible standards on health and safety and has maintained its exemplary record with no incidents reportable to the Health and Safety Executive occurring during the year, as shown within the KPIs on page 4.

Following the UK's decision to leave the European Union (EU), we are yet to see any measurable impacts on the Group. Reservation rates have been good and the availability of mortgage finance has remained. The Board is not complacent and continues to monitor the market closely. It is too early to assess the medium to long term effects, especially during the government's negotiations with the EU.

The Board is delighted to deliver such positive results following a year of exceptional trading. We have ambitious plans for growth and have invested heavily in significant development sites some of which will start to deliver completions in 2017. Since the year end we have committed to further sites and plan for further expansion in the years ahead. With a strong management team and committed workforce combined with the restructured banking facility and high levels of forward sales, the Group is in an excellent position to capitalise on the high demand for quality housing in the South East of England.

### Key performance indicators

Financial		2016	2015
Operating Margin	Operating profit as a percentage of turnover. We regard this as an important measure of the quality of financial returns.	11.17%	11.50%
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.	80.0%	73.3%
Net assets	Value of the net assets of the Group. Monitored on a monthly basis as part of bank covenant compliance.	£44.4m	£34.4m
Work in Progress	Value of work in progress at the year end measured by stock of development land and buildings and residual freeholds.	£192.7m	£130.5m
Net debt	Value of net debt. Managed on a weekly basis as part of bank covenant compliance.	£124.2m	£76.5m
Cash flow from operating activities	Value of cash flow from operating activities during the financial year.	£32.0m outflow	£2.6m outflow
Forward sales	Value of sales which are reserved or exchanged which will complete after the end of the financial year.	£179.4m	£167.9m

**Strategic report** (continued)**Key performance indicators** (continued)

<b>Non Financial</b>		<i>2016</i>	<i>2015</i>
Units in the development cycle	Number of units which are in the planning, design, construction or sales process at the year end.	2,145	1,674
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.	622	617
Health and Safety	Number of incidents reportable by Weston Group to the Health and Safety Executive (HSE) during the financial year monitored to ensure we are meeting our Health and Safety obligations to our people.	0	0

**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.
- **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 after the year end 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.

## Strategic report (continued)

### Risk factors (continued)

- **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:** a significant incident could put people or the environment at risk adversely affecting the business's 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

8 November 2016

## Directors' report

The directors present their annual report and the Group financial statements for the year ended 31 July 2016.

### Results and dividends

The profit for the year, after taxation, amounted to £12.5m (2015: £9.4m). During the year the directors approved a dividend of £2.5m (2015: £2.5m).

During the year the Company and Group transitioned from previously extant UK GAAP to International Financial Reporting Standards as adopted by the European Union ("IFRS") and has taken advantage of disclosure exemptions on transition where applicable. Details of the recognition or measurement differences arising on adoption of IFRS are included in note 33.

### 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. 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 £139,000 (2015: £166,000).

### Directors and their interests

The directors who served the company during the year 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 company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 July 2016, the Group had an average of 10 days (2015: 10 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 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, marital 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.

Quarterly 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 25 as are the objectives, policies and processes for their management and the methods used to measure each risk.

### **Statement as to disclosure of information to auditors**

The Directors who were members of the board at the time of approving this report are listed above. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that;

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditor is unaware; and
- they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

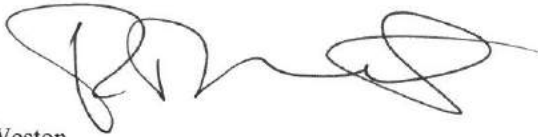


## Directors' report (continued)

### Auditors

In accordance with s485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



R P Weston  
Secretary

8 November 2016

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Directors' 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") 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 as at the end of the financial year and of the profit or loss of the Group and Company so far as concerns members of the Group and Company for the financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company on a consolidated and individual basis and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report**

## **to the members of Weston Group Plc**

We have audited the financial statements of Weston Group Plc for the year ended 31 July 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Balance Sheet, the Consolidated and Parent Company Statement of Cash Flow and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with the IFRSs as adopted by the European Union and 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Independent auditor's report** (continued) to the members of Weston Group Plc

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Andrew Clewer (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton

8 November 2016

## Consolidated income statement for the year ended 31 July 2016

	<i>Notes</i>	<i>2016</i> £'000	<i>2015</i> £'000
<b>Revenue</b>	5	154,077	138,476
Cost of sales		(116,541)	(106,489)
<b>Gross profit</b>		37,536	31,987
Administrative expenses		(20,535)	(16,166)
Other operating income		217	111
<b>Operating profit</b>		17,218	15,932
Finance income	10	9	99
Finance costs	11	(1,201)	(1,880)
<b>Profit before tax</b>		16,026	14,151
Income tax expense	12	(3,509)	(4,776)
<b>Profit for the year</b>		<u>12,517</u>	<u>9,375</u>

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

## Consolidated statement of comprehensive income for the year ended 31 July 2016

Total comprehensive income for the year represents the profit for the year of £12.5m (2015: £9.4m).

**Statement of changes in equity**

at 31 July 2016

**Consolidated statement of changes in equity**

	<i>Share capital</i> £'000	<i>Capital redemption reserve</i> £'000	<i>Retained earnings</i> £'000	<i>Total</i> £'000
At 1 August 2014	245	4,180	23,107	27,532
Profit for the year	-	-	9,375	9,375
Equity dividends paid (note 13)	-	-	(2,500)	(2,500)
At 31 July 2015	<u>245</u>	<u>4,180</u>	<u>29,982</u>	<u>34,407</u>
Profit for the year	-	-	12,517	12,517
Equity dividends paid (note 13)	-	-	(2,500)	(2,500)
At 31 July 2016	<u><u>245</u></u>	<u><u>4,180</u></u>	<u><u>39,999</u></u>	<u><u>44,424</u></u>

**Company statement of changes in equity**

	<i>Share capital</i> £'000	<i>Merger reserve</i> £'000	<i>Capital redemption reserve</i> £'000	<i>Retained earnings</i> £'000	<i>Total</i> £'000
At 1 August 2014	245	4,313	2,880	564	8,002
Profit for the year	-	-	-	2,573	2,573
Equity dividends paid (note 13)	-	-	-	(2,500)	(2,500)
At 31 July 2015	<u>245</u>	<u>4,313</u>	<u>2,880</u>	<u>637</u>	<u>8,075</u>
Profit for the year	-	-	-	2,587	2,587
Equity dividends paid (note 13)	-	-	-	(2,500)	(2,500)
At 31 July 2016	<u><u>245</u></u>	<u><u>4,313</u></u>	<u><u>2,880</u></u>	<u><u>724</u></u>	<u><u>8,162</u></u>

**Consolidated balance sheet**

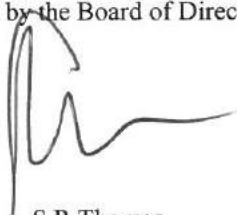
at 31 July 2016

	Notes	2016 £'000	2015 £'000	1 Aug 2014 £'000
<b>Non-current assets</b>				
Intangible assets	14	90	103	60
Property, plant and equipment	15	8,747	6,581	3,757
Deferred tax asset	12	111	226	493
Other receivables	19	299	418	479
		<u>9,247</u>	<u>7,328</u>	<u>4,789</u>
<b>Current assets</b>				
Inventories	17	193,877	130,935	93,144
Trade and other receivables	19	2,653	4,264	2,477
Cash at bank and in hand	20	16,963	6,027	4,371
		<u>213,493</u>	<u>141,226</u>	<u>99,992</u>
<b>Total assets</b>		<u>222,740</u>	<u>148,554</u>	<u>104,781</u>
<b>Current liabilities</b>				
Loans and borrowings	21	2,999	2,716	1,585
Trade and other payables	22	37,065	32,862	17,489
Financial instruments	23	-	-	85
Income tax payable		2,339	394	1,182
		<u>42,403</u>	<u>35,972</u>	<u>20,341</u>
<b>Non-current liabilities</b>				
Loans and borrowings	21	135,766	78,175	56,908
Provisions for liabilities	24	147	-	-
		<u>135,913</u>	<u>78,175</u>	<u>56,908</u>
<b>Total liabilities</b>		<u>178,316</u>	<u>114,147</u>	<u>77,249</u>
<b>Net assets</b>		<u>44,424</u>	<u>34,407</u>	<u>27,532</u>
<b>Capital and reserves</b>				
Share capital	26	245	245	245
Capital redemption reserve	27	4,180	4,180	4,180
Retained earnings	27	39,999	29,982	23,107
<b>Total equity</b>		<u>44,424</u>	<u>34,407</u>	<u>27,532</u>

The financial statements were approved by the Board of Directors on 8 November 2016 and were signed on its behalf by:



R P Weston  
Director



S R Thomas  
Director

## Company balance sheet at 31 July 2016

	Notes	2016 £'000	2015 £'000	1 Aug 2014 £'000
<b>Non-current assets</b>				
Investments	16	5,089	5,089	5,089
<b>Current assets</b>				
Trade and other receivables	19	5,493	5,849	7,283
<b>Total assets</b>		<u>10,582</u>	<u>10,938</u>	<u>12,372</u>
<b>Current liabilities</b>				
Loans and borrowings	21	688	1,295	670
Trade and other payables	22	1,107	875	1,712
Income tax payable		-	5	5
		<u>1,795</u>	<u>2,175</u>	<u>2,387</u>
<b>Non-current liabilities</b>				
Loans and borrowings	21	625	688	1,983
<b>Total liabilities</b>		<u>2,420</u>	<u>2,863</u>	<u>4,370</u>
<b>Net assets</b>		<u>8,162</u>	<u>8,075</u>	<u>8,002</u>
<b>Capital and reserves</b>				
Share capital	26	245	245	245
Capital redemption reserve	27	2,880	2,880	2,880
Merger reserve	27	4,313	4,313	4,313
Retained earnings	27	724	637	564
<b>Total equity</b>		<u>8,162</u>	<u>8,075</u>	<u>8,002</u>

The financial statements were approved by the Board of Directors on 8 November 2016 and were signed on its behalf by:



R P Weston  
Director



S R Thomas  
Director



**Statement of cash flows**

for the year ended 31 July 2016

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>					
Cash (outflow)/inflow from operations	28	(32,010)	(2,629)	590	600
Interest paid		(6,890)	(5,160)	(49)	(87)
Interest element of finance lease rental payments		(66)	(57)	-	-
Non-equity dividends paid		(722)	(707)	(50)	(50)
Tax paid		(1,448)	(5,297)	(5)	(5)
Net cash (outflow)/inflow from operating activities		<u>(41,136)</u>	<u>(13,850)</u>	<u>486</u>	<u>458</u>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(2,167)	(2,586)	-	-
Payments to acquire intangible assets		(15)	(64)	-	-
Proceeds on disposal of property, plant and equipment		308	298	-	-
Equity dividends received		-	-	2,500	2,500
Interest received		9	14	214	242
Net cash (outflow)/inflow from investing activities		<u>(1,865)</u>	<u>(2,338)</u>	<u>2,714</u>	<u>2,742</u>
<b>Cash flows from financing activities</b>					
Capital element of finance lease rental payments		(1,593)	(956)	-	-
Increase in bank loans and borrowings		201,730	164,500	-	-
Repayment of bank loans and borrowings		(143,700)	(143,700)	(700)	(700)
Equity dividends paid		(2,500)	(2,500)	(2,500)	(2,500)
Issue of preference shares		-	500	-	-
Net cash inflow/(outflow) from financing activities		<u>53,937</u>	<u>17,844</u>	<u>(3,200)</u>	<u>(3,200)</u>
Net increase in cash		10,936	1,656	-	-
Cash at bank and in hand brought forward		<u>6,027</u>	<u>4,371</u>	<u>-</u>	<u>-</u>
Cash at bank and in hand carried forward		<u><u>16,963</u></u>	<u><u>6,027</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

## Notes to the financial statements

at 31 July 2016

### 1 Corporate information

Weston Group Plc 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 8 November 2016.

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 Group has applied IFRS for the first time in these financial statements from 1 August 2014 (date of transition) to 31 July 2016, and accordingly disclosed the impact of transition from UK GAAP in note 33 to these financial statements.

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 2016.

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.

IFRS 1: First-Time Adoption of International Financial Reporting Standards, allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Group has applied the following exemptions:

##### ***Business combinations***

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses under IFRS that occurred before 1 August 2014. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities that are required to be recognised under IFRS is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS.

##### ***Borrowing costs***

The Group has applied the transitional provisions in IAS 23 Borrowing Costs and IFRS 1 and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under UK GAAP on qualifying assets (inventory) prior to the date of transition to IFRS.

## Notes to the financial statements (continued)

at 31 July 2016

### 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.

##### **Dividends**

Revenue 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.

##### **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 and buildings so as to write off the cost of assets less their residual values over their estimated useful lives, on the following basis:

Plant & machinery	- 25% reducing balance
Motor vehicles	- 25% reducing balance
Office equipment	- 25% reducing balance
Leasehold improvements	- 25% reducing balance
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 statement of comprehensive income.

##### **Intangible assets**

Acquired computer software is capitalised on the basis of costs incurred to bring to use the specific software and amortised over an estimated useful life of three years, charged to administrative expenses. These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

## Notes to the financial statements (continued) at 31 July 2016

### 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**

###### **i) 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 Company 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 Company commits to purchase or sell the asset. The Company's financial assets include cash and short term deposits, trade and other receivables and loan notes.

##### **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 (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.

###### **ii) 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 2016

### 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 the income statement**

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 the income statement.

##### **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 is not capitalised but is 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 2016

### 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 and the amounts reported for revenues and expenses during the year. 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 contract 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 2016

**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 once endorsed for application in the EU. The directors are in the process of analysing the effect of new standards on the Group.

Whilst the following standards and interpretations are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time:

*Not yet endorsed by the EU:*

<i>Standard or interpretation</i>	<i>Title</i>	<i>Effective for accounting periods beginning on or after</i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers including amendments	1 January 2018
IFRS 16	Leases	1 January 2019

*Amendments to Standards*

*Effective for accounting periods beginning on or after*

IAS 1 Disclosure initiative	1 January 2016
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

*Other*

The IASB's annual improvement process 2012-2014

**5 Revenue**

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Sale of residential and commercial property	135,502	130,595
Sales from construction contracts (note 18)	11,777	4,806
Sale of freehold reversions	5,419	1,651
Rendering of services	788	747
Rental income received	591	677
	<u>154,077</u>	<u>138,476</u>

**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.

## Notes to the financial statements (continued)

at 31 July 2016

### 7 Operating profit

This is stated after charging:

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Depreciation:		
Owned assets	1,217	903
Assets under hire purchase	723	505
Amortisation on intangible assets	28	21
Loss on sale of tangible assets	1	54
Auditor's remuneration		
- audit of the Company and Group financial statements	60	56
- IFRS transition services	45	-
- audit related assurance services	5	5
Operating lease rentals		
- land and buildings	1,482	1,349
	<u>3,561</u>	<u>2,893</u>

### 8 Staff numbers and costs

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

	<i>Number of employees</i>	
	<i>2016</i>	<i>2015</i>
	<i>No.</i>	<i>No.</i>
Directors – company	10	7
Directors – subsidiaries	3	5
Office	175	127
Site	119	98
Conferences and serviced offices	23	19
Environmental consultancy	16	12
	<u>346</u>	<u>268</u>

The aggregate payroll costs of these persons were as follows:

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	18,334	13,707
Social security costs	2,097	1,571
Pension costs	1,442	1,116
	<u>21,873</u>	<u>16,394</u>

#### **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 (2015: £Nil).



## Notes to the financial statements (continued)

at 31 July 2016

### 8 Staff numbers and costs (continued)

#### 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:

	2016	2015
	£'000	£'000
Wages and salaries	5,390	3,833
Social security costs	709	498
Termination benefits	34	48
Defined contribution pension costs	311	268
	<u>6,444</u>	<u>4,647</u>

### 9 Directors' emoluments

	2016	2015
	£'000	£'000
Directors' emoluments	<u>3,639</u>	<u>2,070</u>
Company contributions to money purchase pension schemes	<u>147</u>	<u>101</u>
Highest paid director: Emoluments	<u>1,401</u>	<u>539</u>

### 10 Finance income

	2016	2015
	£'000	£'000
Fair value movement on interest rate swap	-	85
Other interest	9	14
	<u>9</u>	<u>99</u>

### 11 Finance costs

	2016	2015
	£'000	£'000
Bank loans and overdrafts	410	408
Finance charges payable under finance leases	66	57
Dividends on redeemable 8% preference shares of £1 each	722	707
Other interest payable	3	708
	<u>1,201</u>	<u>1,880</u>

**Notes to the financial statements** (continued)  
at 31 July 2016

**11 Finance costs** (continued)

	2016	2015
	£'000	£'000
<b>Reconciliation of finance costs (including non-equity dividends)</b>		
Interest paid	7,678	5,924
Movement in prepaid finance costs	(813)	379
Creditor movement	(148)	7
Movement in interest capitalised in the year	(554)	2,739
Total charged to the income statement	<u>6,163</u>	<u>9,049</u>
Split as follows:		
Included in cost of sales	4,962	7,169
Included in finance costs above	1,201	1,880
Total charged to the income statement	<u>6,163</u>	<u>9,049</u>

**12 Taxation**

**(a) Tax charged in the income statement**

	2016	2015
	£'000	£'000
<b>Current income tax:</b>		
UK corporation tax on profits of the period	3,486	2,721
Adjustments in respect of previous periods	(92)	1,787
Total current tax	<u>3,394</u>	<u>4,508</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(9)	340
Impact of change in tax rate or laws	12	(11)
Adjustments in respect of prior year	112	(61)
Total deferred tax	<u>115</u>	<u>268</u>
<b>Total tax expense in the income statement</b>	<u>3,509</u>	<u>4,776</u>

**(b) Reconciliation of total tax charge**

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 20% (2015: 20.67%).

The differences are reconciled below:

	2016	2015
	£'000	£'000
Profit for the year	<u>16,026</u>	<u>14,151</u>
Profit for the year multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.67%)	3,205	2,925
Expenses not deductible for tax purposes	127	130
Utilisation of tax losses not previously utilised	-	(139)
Adjustments in respect of prior periods	21	1,787
Deferred tax credit in respect of prior year	-	(61)
Dividends not subject to tax	144	146
Effect of other tax rates/credits	12	(12)
Total tax expense reported in the income statement	<u>3,509</u>	<u>4,776</u>

**Notes to the financial statements** (continued)  
at 31 July 2016

**12 Taxation** (continued)

**(c) Change in Corporation Tax rate**

The rate of corporation tax changed from 21% to 20% with effect from 1 April 2015. Accordingly the Group's results for this accounting year is taxed at a rate of 20%. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 18 November 2015). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. The impact of the rate change is to reduce the deferred tax asset provided at 31 July 2016 by £12,259.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £6,130.

**(d) Deferred tax**

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

	2016	2015	1 Aug 2014
	£'000	£'000	£'000
Accelerated capital allowances	84	198	175
Timing differences in respect of capitalised interest	-	(4)	(158)
Losses	-	-	428
Other	27	32	48
Deferred tax assets	<u>111</u>	<u>226</u>	<u>493</u>

Unprovided deferred taxation:

Losses	-	-	<u>378</u>
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Provided deferred tax movements:

At 1 August 2014		£'000	493
Deferred tax debited to the income statement for the period			(267)
At 31 July 2015			<u>226</u>
Deferred tax debited to the income statement for the period			(115)
At 31 July 2016			<u>111</u>

**13 Dividends paid**

	2016	2015
	£'000	£'000
Equity dividend on ordinary shares - final dividend of 10.2p (2015: 10.2p)	<u>2,500</u>	<u>2,500</u>

**Notes to the financial statements** (continued)  
at 31 July 2016

**14 Intangible assets**

	<i>Computer software £ '000</i>
Cost:	
At 1 August 2014	322
Additions	64
Disposals	(29)
At 31 July 2015	<u>357</u>
Additions	15
At 31 July 2016	<u>372</u>
Amortisation:	
At 1 August 2014	262
Provided during the year	21
Disposals	(29)
At 31 July 2015	<u>254</u>
Provided during the year	28
At 31 July 2016	<u>282</u>
Net book value:	
At 31 July 2016	<u>90</u>
At 31 July 2015	<u>103</u>
At 1 August 2014	<u>60</u>

## Notes to the financial statements (continued)

at 31 July 2016

### 15 Property, plant and equipment

	<i>Land and freehold improvements</i>	<i>Leasehold property</i>	<i>Motor vehicles</i>	<i>Plant and machinery</i>	<i>Office equipment</i>	<i>Total</i>
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost:						
At 1 August 2014	-	1,215	3,824	3,875	2,150	11,064
Additions	629	888	1,419	1,462	186	4,584
Disposals	-	(168)	(881)	(322)	(658)	(2,029)
At 31 July 2015	629	1,935	4,362	5,015	1,678	13,619
Additions	352	325	1,599	1,864	275	4,415
Disposals	-	(16)	(898)	(14)	(2)	(930)
At 31 July 2016	981	2,244	5,063	6,865	1,951	17,104
Depreciation:						
At 1 August 2014	-	906	1,618	3,037	1,746	7,307
Provided during the year	-	155	694	441	118	1,408
Disposals	-	(162)	(620)	(281)	(614)	(1,677)
At 31 July 2015	-	899	1,692	3,197	1,250	7,038
Provided during the year	-	279	839	687	135	1,940
Disposals	-	(1)	(611)	(8)	(1)	(621)
At 31 July 2016	-	1,177	1,920	3,876	1,384	8,357
Net book value:						
At 31 July 2016	981	1,067	3,143	2,989	567	8,747
At 31 July 2015	629	1,036	2,670	1,818	428	6,581
At 1 August 2014	-	309	2,206	838	404	3,757

#### Assets held under finance leases

The carrying value of motor vehicles held under finance leases and hire purchase contracts at 31 July 2016 was £1,390,000 (2015: £1,472,000, 1 Aug 2014: £930,000). Additions during the year include £557,000 (2015: £1,120,000, 1 Aug 2014: £468,000) 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 2016 was £1,901,000 (2015: £764,000, 1 Aug 2014: £167,000). Additions during the year include £1,509,000 (2015: £777,000, 1 Aug 2014: £173,000) of plant and machinery under finance leases and hire purchase contracts.

### 16 Investments

#### Company

*Subsidiary  
undertakings*  
£ '000

Cost at 31 July 2016, 31 July 2015 and 1 Aug 2014

5,089

Net book value at 31 July 2016, 31 July 2015 and 1 Aug 2014

5,089

## Notes to the financial statements (continued)

at 31 July 2016

### 16 Investments (continued)

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

<i>Name</i>	<i>Class of shares</i>	<i>Nature of business</i>
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

\* held indirectly

### 17 Inventories

	<i>2016</i>	<i>2015</i>	<i>1 Aug 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Development land and buildings	189,892	125,600	88,782
Residual freeholds	2,804	4,886	4,201
Consumables	1,181	449	161
	<u>193,877</u>	<u>130,935</u>	<u>93,144</u>

Included in development land and buildings are capitalised borrowing costs of £5,640,340 (2015: £5,071,255, 1 Aug 2014 £7,810,827).

Inventories recognised as an expense in the year were £116,140,327 (2015: £105,670,265, 1 Aug 2014 £95,293,808).

### 18 Construction contracts

	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
<b>Total income and expense recognised on contracts in progress in the year:</b>		
Costs incurred and recognised profit for period	<u>11,777</u>	<u>4,806</u>
Contract revenue for the period	<u>11,777</u>	<u>4,806</u>
Less progress billings and advances	<u>(11,786)</u>	<u>(4,736)</u>
	(9)	70
Brought forward - amounts recoverable on contracts (note 19)	<u>155</u>	<u>85</u>
Carried forward - amounts recoverable on contracts (note 19)	<u>146</u>	<u>155</u>
Construction contracts in progress, net position	<u>146</u>	<u>155</u>

**Notes to the financial statements** (continued)  
at 31 July 2016

**19 Trade and other receivables**

*Current receivables:*

	<i>Group</i>			<i>Company</i>		
	2016 £'000	2015 £'000	1 Aug 2014 £'000	2016 £'000	2015 £'000	1 Aug 2014 £'000
Trade receivables	809	348	708	-	-	-
Amounts recoverable on contracts	146	155	85	-	-	-
Amounts owed by group undertakings	-	-	-	5,493	5,849	7,283
Other receivables	809	3,145	577	-	-	-
Prepayments and accrued income	889	616	1,107	-	-	-
	<u>2,653</u>	<u>4,264</u>	<u>2,477</u>	<u>5,493</u>	<u>5,849</u>	<u>7,283</u>

*Non-current receivables:*

Other receivables	299	418	479	-	-	-
	<u>299</u>	<u>418</u>	<u>479</u>	<u>-</u>	<u>-</u>	<u>-</u>

**20 Cash at bank and in hand**

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

**21 Loans and borrowings**

	<i>Group</i>			<i>Company</i>		
	2016 £'000	2015 £'000	1 Aug 2014 £'000	2016 £'000	2015 £'000	1 Aug 2014 £'000
<i>Current:</i>						
Term loan	688	670	670	688	670	670
Finance leases and hire purchase contracts	1,411	921	415	-	-	-
Redeemable 8% preference shares of £1 each	900	1,125	500	-	625	-
	<u>2,999</u>	<u>2,716</u>	<u>1,585</u>	<u>688</u>	<u>1,295</u>	<u>670</u>

The Term loan balance above is shown net of prepaid finance costs of £11,617 (2015: £29,859, 1 Aug 2014: £29,859).

	<i>Group</i>			<i>Company</i>		
	2016 £'000	2015 £'000	1 Aug 2014 £'000	2016 £'000	2015 £'000	1 Aug 2014 £'000
<i>Non current:</i>						
Revolving Credit Facility (RCF)	125,111	67,454	46,655	-	-	-
Term loan	-	688	1,358	-	688	1,358
Finance leases and hire purchase contracts	1,300	1,133	370	-	-	-
Redeemable 8% preference shares of £1 each	8,125	7,900	8,025	625	-	625
Unsecured loan	1,230	1,000	500	-	-	-
	<u>135,766</u>	<u>78,175</u>	<u>56,908</u>	<u>625</u>	<u>688</u>	<u>1,983</u>

The Term loan balance above is shown net of prepaid finance costs of £Nil (2015: £11,617, 1 Aug 2014: £41,476).

## Notes to the financial statements (continued)

### at 31 July 2016

#### 21 Loans and borrowings (continued)

The Revolving Credit Facility (RCF) is provided by HSBC, Bank of Scotland and Bank of Ireland. The facility matures on 6 April 2020 and is shown above net of prepaid finance costs of £2,388,658 (2015: £1,557,662, 1 Aug 2014: £1,387,185). Interest is charged on this facility at LIBOR plus a margin ranging from 3.625% to 4%.

The Term loan with HSBC matures on 10 October 2016. The applicable margin is LIBOR plus 5%.

Both the RCF and Term Loan are 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 in the years between 2017 and 2027. In the Group figures £900,000 (2015: £1,125,000 1 Aug 2014: £500,000) is repayable within one year, £4,500,000 (2015: £4,400,000, 1 Aug 2014: £4,525,000) is repayable between two and five years and £3,625,000 (2015: £3,500,000, 1 Aug 2014: £3,500,000) after five years. In the Company only figures £625,000 of the redeemable 8% preference shares of £1 each became redeemable by the Company on 21 March 2016 and these were rolled over to 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:

	<i>Group</i>			<i>Company</i>		
	<i>2016</i>	<i>2015</i>	<i>1 Aug 2014</i>	<i>2016</i>	<i>2015</i>	<i>1 Aug 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	1,411	921	415	-	-	-
Later than one year and less than five year	1,300	1,133	370	-	-	-
After five years	-	-	-	-	-	-
	<u>2,711</u>	<u>2,054</u>	<u>785</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	<i>Group</i>			<i>Company</i>		
	<i>2016</i>	<i>2015</i>	<i>1 Aug 2014</i>	<i>2016</i>	<i>2015</i>	<i>1 Aug 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Current liabilities:</i>						
Trade payables	1,589	875	716	-	-	-
Other payables	1,465	964	1,600	1,022	623	1,293
Other creditors including taxes & social security	1,185	558	422	-	-	-
Accruals	13,417	15,233	7,283	85	252	419
Deferred income	19,409	15,232	7,468	-	-	-
	<u>37,065</u>	<u>32,862</u>	<u>17,489</u>	<u>1,107</u>	<u>875</u>	<u>1,712</u>



## Notes to the financial statements (continued)

### at 31 July 2016

#### 23 Financial Instruments

	2016 £'000	2015 £'000	1 Aug 2014 £'000
<b>Derivatives</b>			
Interest rate swap	-	-	85

As required under its banking facilities the Group previously entered into £38m of hedging arrangements to help minimise its exposure to adverse fluctuations in the interest rate. The maximum rate of interest payable under the arrangements was 2.56% and the minimum rate of interest payable was 0.97%. The actual amount of interest payable depended on the LIBOR rate on the quarterly reset dates. The fair value of instrument at 1 Aug 2014 was £85,000. These arrangements ceased on 31 July 2015.

#### 24 Provisions for liabilities

	<i>Dilapidations</i> £'000
At 1 Aug 2014 and 31 July 2015	-
Provision created during the year	147
At 31 July 2016	147

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 2033 and 2034.

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

#### 25 Financial risk management

The Group is exposed to a variety of financial risks including market risk, credit risk and liquidity 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:

## Notes to the financial statements (continued)

### at 31 July 2016

#### 25 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 forecasted 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 at 31 July 2016 and 31 July 2015.

##### Liquidity risk at 31 July 2016

	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	-	2,999	130,911	4,855	138,765
Trade and other payables	22	-	37,065	-	-	37,065
		-	40,064	130,911	4,855	175,830

##### Liquidity risk at 31 July 2015

	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	-	2,716	73,675	4,500	80,891
Trade and other payables	22	-	32,862	-	-	32,862
		-	35,578	73,675	4,500	113,753

##### 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:

A 0.5% change in the LIBOR:	Effect on profit before tax	
	2016	2015
	£'000	£'000
Impact on profit before tax	166	207

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:

Amount capitalised into inventories impacting future profits	2016	2015
	£'000	£'000
	404	236

## Notes to the financial statements (continued) at 31 July 2016

### 25 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 be 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 29).

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 overtime 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.

### 26 Share capital

	2016 £'000	2015 £'000	1 Aug 2014 £'000
<b>Allotted, called up and fully paid</b>			
Ordinary shares of 1p each	<u>245</u>	<u>245</u>	<u>245</u>

### 27 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.

#### **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 2016

### 28 Reconciliation of operating profit to net cash flows from operating activities

	<i>Group</i>		<i>Company</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	17,218	15,932	-	-
Depreciation and amortisation	1,968	1,429	-	-
Loss on sale of property, plant and equipment	1	54	-	-
Finance costs included in cost of sales	4,962	7,169	-	-
Increase in inventories	(62,386)	(40,526)	-	-
Decrease/(increase) in trade and other receivables	1,729	(2,273)	356	1,433
Increase/(decrease) in trade and other payables	4,498	15,586	234	(833)
Net cash (outflow)/inflow from operations	<u>(32,010)</u>	<u>(2,629)</u>	<u>590</u>	<u>600</u>

### 29 Analysis of net debt

#### *Group*

	<i>Opening balance</i>	<i>Cash flows</i>	<i>Non cash movements</i>	<i>Closing balance</i>
	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>
Cash at bank and in hand	6,027	10,936	-	16,963
Loans	(71,400)	(58,030)	-	(129,430)
Preference shares	(9,025)	-	-	(9,025)
Finance leases	(2,054)	1,593	(2,250)	(2,711)
Net debt	<u>(76,452)</u>	<u>(45,501)</u>	<u>(2,250)</u>	<u>(124,203)</u>

#### *Company*

	<i>Opening balance</i>	<i>Cash flows</i>	<i>Non cash movements</i>	<i>Closing balance</i>
	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>
Loans	(1,400)	-	700	(700)
Preference shares	(625)	-	-	(625)
Net debt	<u>(2,025)</u>	<u>-</u>	<u>700</u>	<u>(1,325)</u>

### 30 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 31 July 2016 are as follows:

	<i>Group</i>	
	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	1,464	1,464
After one year and less than five years	5,799	5,806
After five years	18,500	19,960
	<u>25,763</u>	<u>27,230</u>

## Notes to the financial statements (continued)

### at 31 July 2016

### 31 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 2016 the bank borrowings amounted to £128,200,000 (2015: £70,400,000, 1 Aug 2014: £50,100,000).

The Company has given guarantees in respect of two operating leases entered into by a subsidiary undertaking of an annual amount of £1,264,000 (2015: £1,264,000, 1 Aug 2014: £1,264,000).

### 32 Related party transactions

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

	<i>2016</i>	<i>2015</i>	<i>1 Aug 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
R P Weston	752	353	390
S P Bickel	-	-	213

Included in non-current liabilities and current liabilities are loan balances of £1,230,190 (2015: £1,000,000, 1 Aug 2014: £500,000) and £6,400,000 redeemable 8% preference shares of £1 each (2015: £6,400,000, 1 Aug 2014: £6,400,000) owed to Mrs A E Bickel, who is the mother of S P Bickel, a director of the Company. During the year £287,737 (2015: £Nil, 1 Aug 2014: £167,121) was paid for the provision of the loan facility and £512,000 (2015: £512,000, 1 Aug 2014: £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 are £2,000,000 redeemable 8% preference shares of £1 each (2015: £2,000,000, 1 Aug 2014: £1,500,000). Of these, £1,000,000 (2015: £1,000,000, 1 Aug 2014: £500,000) are owed to S P Bickel and his wife L Bickel whilst the other £1,000,000 (2015: £1,000,000, 1 Aug 2014: £1,000,000) are owed to S Hoenig, the sister of S P Bickel and her husband N Hoenig. Dividends of £80,000 (2015: £64,868, 1 Aug 2014: £40,000) were paid during the year to S P Bickel and L Bickel and £80,000 (2015: £80,000, 1 Aug 2014: £50,219) 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 (2015: £50,000, 1 Aug 2014: £50,000) were paid in respect of these. This is shown under finance costs.

During the year, goods and services to the value of £2,165,846 (2015: £1,030,350, 1 Aug 2014: £840,893), 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 £214,054 (2015: £241,848, 1 Aug 2014: £360,475). At the balance sheet date £5,493,408 (2015: £5,849,284, 1 Aug 2014: £7,282,628) was owed to the Company by Weston Homes Plc.

During the year J G Y Wood, a Director of the Company purchased a property from a Group company for a total value of £285,000 (2015: £Nil, 1 Aug 2014: £Nil). In addition a Group company also carried out construction works for R P Weston, a Director of the Company totalling £209,804 (2015: £Nil, 1 Aug 2014: £Nil). 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 2016

### 33 First-time adoption of IFRS

This historical financial information for the two years ended 31 July 2016, is the first financial information the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 July 2015 the Group prepared its statutory financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice - UK GAAP). The Group's opening statement of financial position has been prepared as at 1 August 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP Balance Sheets as at 1 August 2014 and 31 July 2015.

#### ***Exemptions applied***

IFRS 1: First-Time Adoption of International Financial Reporting Standards, allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Group has applied the following exemptions:

#### ***Business combinations***

IFRS 3: Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses under IFRS that occurred before 1 August 2014. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities that are required to be recognised under IFRS is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS.

#### ***Borrowing costs***

The Group has applied the transitional provisions in IAS 23 Borrowing Costs and IFRS 1 and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under UK GAAP on qualifying assets (inventory) prior to the date of transition to IFRS.

#### ***Merger reserve***

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

## Notes to the financial statements (continued)

at 31 July 2016

### 33 First-time adoption of IFRS (continued)

#### Group reconciliation of equity as at 1 August 2014 (date of transition to IFRS)

	Notes	UK GAAP £'000	IFRS Re- classifications/ Re- measurements £'000	IFRS at 1 August 2014 £'000
<b>Non-current assets</b>				
Intangible assets	1	-	60	60
Property, plant and equipment	1	3,817	(60)	3,757
Deferred tax asset	2	445	48	493
Other receivables	3	-	479	479
		<u>4,262</u>	<u>527</u>	<u>4,789</u>
<b>Current assets</b>				
Inventories		93,144	-	93,144
Trade and other receivables	3	2,956	(479)	2,477
Cash at bank and in hand		4,371	-	4,371
		<u>100,471</u>	<u>(479)</u>	<u>99,992</u>
<b>Total assets</b>		<u>104,733</u>	<u>48</u>	<u>104,781</u>
<b>Current liabilities</b>				
Loans and borrowings		1,585	-	1,585
Trade and other payables	4	17,335	154	17,489
Financial instruments	5	-	85	85
Income tax payable		1,182	-	1,182
		<u>20,102</u>	<u>239</u>	<u>20,341</u>
<b>Non-current liabilities</b>				
Loans and borrowings		56,908	-	56,908
<b>Total liabilities</b>		<u>77,010</u>	<u>239</u>	<u>77,249</u>
<b>Net assets</b>		<u>27,723</u>	<u>(191)</u>	<u>27,532</u>
<b>Capital and reserves</b>				
Share capital		245	-	245
Capital redemption reserve		4,180	-	4,180
Retained earnings		23,298	(191)	23,107
<b>Total equity</b>		<u>27,723</u>	<u>(191)</u>	<u>27,532</u>

**Notes to the financial statements** (continued)  
at 31 July 2016

**33 First-time adoption of IFRS** (continued)

Group reconciliation of equity as at 31 July 2015 (date of the latest period presented in accordance with UK GAAP)

	Notes	UK GAAP £'000	IFRS Re- classifications/ Re- measurements £'000	IFRS at 31 July 2015 £'000
<b>Non-current assets</b>				
Intangible assets	1	-	103	103
Property, plant and equipment	1	6,684	(103)	6,581
Deferred tax asset	2	194	32	226
Other receivables	3	-	418	418
		<u>6,878</u>	<u>450</u>	<u>7,328</u>
<b>Current assets</b>				
Inventories		130,935	-	130,935
Trade and other receivables	3	4,682	(418)	4,264
Cash at bank and in hand		6,027	-	6,027
		<u>141,644</u>	<u>(418)</u>	<u>141,226</u>
<b>Total assets</b>		<u>148,522</u>	<u>32</u>	<u>148,554</u>
<b>Current liabilities</b>				
Loans and borrowings		2,716	-	2,716
Trade and other payables	4	32,702	160	32,862
Income tax payable		394	-	394
		<u>35,812</u>	<u>160</u>	<u>35,972</u>
<b>Non-current liabilities</b>				
Loans and borrowings		78,175	-	78,175
<b>Total liabilities</b>		<u>113,987</u>	<u>160</u>	<u>114,147</u>
<b>Net assets</b>		<u>34,535</u>	<u>(128)</u>	<u>34,407</u>
<b>Capital and reserves</b>				
Share capital		245	-	245
Capital redemption reserve		4,180	-	4,180
Retained earnings		30,110	(128)	29,982
<b>Total equity</b>		<u>34,535</u>	<u>(128)</u>	<u>34,407</u>



**Notes to the financial statements** (continued)  
at 31 July 2016

**33 First-time adoption of IFRS** (continued)

**Group reconciliation of Comprehensive Income for the year ended 31 July 2015**

The effect of the remeasurement differences on the reported total comprehensive income of the Group for the year ended 31 July 2015 is as follows:

	<i>Notes</i>	<i>UK GAAP</i>	<i>IFRS Re- classifications/ Re- measurements</i>	<i>IFRS at 31 July 2015</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>		138,476		138,476
Cost of sales		(106,489)		(106,489)
<b>Gross profit</b>		31,987	-	31,987
Administrative expenses	4	(16,161)	(5)	(16,166)
Other operating income		111		111
<b>Operating profit</b>		15,937	(5)	15,932
Finance income	5	14	85	99
Finance costs		(1,880)		(1,880)
<b>Profit before tax</b>		14,071	80	14,151
Income tax expense	2	(4,759)	(17)	(4,776)
<b>Profit for the year</b>		9,312	63	9,375

There were no other changes to the Group Statement of Comprehensive Income

**Company reconciliation of equity as at 1 August 2014 (date of transition to IFRS)**

There were no material adjustments on transition to IFRS

**Company reconciliation of equity as at 31 July 2015 (date of the latest period presented in accordance with UK GAAP)**

There were no material adjustments on transition to IFRS

**Company reconciliation of Comprehensive Income for the year ended 31 July 2015**

There were no material adjustments on transition to IFRS

**Notes to the reconciliations of equity as at 1 August 2014 and 31 July 2015:**

**1 Reclassification of intangible assets**

Under IFRS acquired computer software is disclosed as an intangible asset rather than as property, plant and equipment as per UK GAAP.

## **Notes to the financial statements** (continued)

at 31 July 2016

### **33 First-time adoption of IFRS** (continued)

#### **2 Deferred tax**

Because IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement, adjustments are required to recognise a number of items for which no deferred tax was previously recognised under UK GAAP, for example holiday pay accruals.

#### **3 Other receivables**

Other debtors after more than one year have been reclassified as such on the face of the consolidated balance sheet.

#### **4 Employee benefits**

##### ***Holiday pay accrual***

On transition to IFRS, a holiday pay accrual has been accounted for which reflects the value of all unclaimed holiday entitlement at the balance sheet date.

#### **5 Fair value of interest rate swap**

Under UK GAAP, derivatives were not recognised in the financial statements until settlement. In accordance with IAS 39, the Group has recognised the fair value of its interest rate swaps on the balance sheet at each of the reporting dates presented, with the movement in fair value recognised in the income statement.