

Registered No. 4179330

# **Weston Group Plc**

## **Annual Report and Financial Statements**

31 July 2017

## 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  
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

### 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

### Review of the business and future developments

Weston Group had an exceptional year and delivered record results following a strong performance by the residential property development business supported by good results from the smaller serviced office and environmental consultancy businesses. Revenue increased by 28.9% to £198.6m, profit before tax was 39.8% higher at £22.4m, 85.8% of profits were retained in the business and net assets increased by 34.1% to £59.6m. The levels of forward sales were at unsurpassed levels and at £248.7m at 31 July 2017 were 38.6% more than the same point in 2016 and since year end forward sales have risen still further so that currently they stand at £291.9m.

As planned, the number of sales completions achieved in the year fell by 7.6% to 575 units. However, a greater proportion of these completions came from developments with a higher selling price per square foot meaning that the average selling price went up from £236,000 to £338,000 resulting in the significant increase in revenue. The lower level of sales completions achieved was purely down to less units being available for handover due, to the stage the portfolio of development sites were at in the construction cycle.

Following the increase in revenue, gross profit increased from £37.5m in 2016 to £46.4m this year. The Group continued to invest heavily in its workforce and with the average number of persons employed increasing by 39 to 385 administrative expenses increased by 12.6% to £23.1m. Operating profit increased by £6.3m to £23.5m resulting in an operating margin of 11.85%, an improvement over last year.

Profit before tax of £22.4m represented an increase of £6.4m compared to 2016 and resulted in a higher tax charge of £4.8m (2016: £3.5m) but a lower effective tax rate of 21.3% against 21.9% last year. Ordinary dividends paid of £2.5m were consistent with 2016 meaning that a higher proportion of profit, 85.8% (2016: 80.0%) was retained in the business.

Weston Group has ambitious plans for growth. A substantial amount of cash has been generated this year from sales completions and a considerable amount of this has been invested in the future in terms of both acquiring and developing schemes. The business spent £41.7m on purchasing new land for development which, when combined with the £75.6m spent last year, means that there is now a significant number of units in the development cycle. The development pipeline increased to 3,052 units at the year end, up from 2,145 units at the same point last year. The combination of land acquisition and construction expenditure resulted in a 21.4% increase in the development land and buildings inventory from £189.9m to £230.5m as shown in note 17. Net debt was 19.7% higher at year end at £148.7m (2016: £124.2m).

With the ongoing growth of the business, the need to recruit staff at all levels has continued and this has led to the increase in average staff numbers as mentioned. The Group has always been committed to the training of its workforce and in recognition of the skills gap that exists in the construction industry operates apprenticeship schemes to help bridge this gap. During the year the Group took on further new starters across these schemes and will continue to do so in the future. The Board is pleased with the commitment of its workforce and the contribution it has made and continues to make to the business.

The board is committed to delivering the highest possible standards of health and safety. The Group continues to promote best practice and exceeding the guidance of the Health and Safety Executive and other regulatory bodies. This year we have launched our "Safe Today, Here Tomorrow" campaign to remind all our staff and associated stakeholders of the health and safety risks that affect our business. In addition for the tenth consecutive year the Group was awarded the RoSPA Gold medal in recognition of its excellent record on health and safety management.

The Board is extremely pleased with the performance of the business and to be able to report such an excellent set of results. The past year's performance has put Weston Group in an exceptionally strong position to exploit the huge demand that exists for new homes in the UK. The Group operates in arguably the most buoyant part of the country, the South East of England, and the Board's strategy continues to be the provision of affordable new homes in the areas where ordinary people want to live.

## Strategic report (continued)

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

The Board will concentrate on sites that deliver sales prices in the £300-£800 per square foot bracket and will avoid purchasing sites in zones 1 and 2 of inner London, which it believes have highly inflated and unsustainable sales prices. The substantial investment that has been made in new development sites during the past few years coupled with the security that such a large level of forward sales brings, means that the Group not only has the pipeline of sites, but also the customers in place to deliver a significant increase in the number of unit completions in the coming year.

To deliver this growth the Board's focus in the coming year and beyond will be on doing so in a controlled and orderly fashion. It will also keep a very close eye on the negotiations surrounding the UK's exit from the European Union and the possible effect this may have on housing market, the wider economy and possible shortages of labour to the housing industry. To date Brexit has not had any measurable impact on the business but the Board are not complacent in this respect and will keep this under constant review. With the continued excellent support of our club of banks the Board is confident that the coming year will be a highly successful one for the Group.

### Key performance indicators

Financial		2017	2016
Operating margin	Operating profit as a percentage of revenue. We regard this as an important measure of the quality of financial returns.	11.85%	11.17%
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.	85.8%	80.0%
Net assets	Value of the net assets of the Group. Monitored on a monthly basis as part of bank covenant compliance.	£59.6m	£44.4m
Work in progress	Value of work in progress at the year end measured by stock of development land and buildings and residual freeholds.	£239.0m	£192.7m
Net debt	Value of net debt. Managed on a weekly basis as part of bank covenant compliance.	£148.7m	£124.2m
Cash flow from operating activities	Value of cash flow from operating activities during the financial year.	£7.9m outflow	£32.0m outflow
Forward sales	Value of sales which are reserved or exchanged which will complete after the end of the financial year.	£248.7m	£179.4m

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

<b>Non Financial</b>		<i>2017</i>	<i>2016</i>
Units in the development cycle	Number of units which are in the planning, design, construction or sales process at the year end.	3,052	2,145
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.	575	622

**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, 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' 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

7 November 2017

## Directors' report

The directors present their annual report and the Group financial statements for the year ended 31 July 2017.

### Results and dividends

The profit for the year, after taxation, amounted to £17.6m (2016: £12.5m). During the year the directors approved a dividend of £2.5m (2016: £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. 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 £203,000 (2016: £139,000).

### Directors

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 2017, the Group had an average of 12 days (2016: 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.

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.

### 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

A handwritten signature in black ink, appearing to read 'R P Weston', written over a horizontal line.

R P Weston  
Secretary

7 November 2017

## **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

### Opinion

We have audited the financial statements of Weston Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2017 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 flows, and the related notes 1 to 31, including a summary of significant accounting policies. 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 31 July 2017 and of the Group's profit for the year then ended;
- the Group financial statements 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 IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent 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.

### Other information

The other information comprises the information included in the annual report set out on pages 2 to 8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

## **Other information** (continued)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 Parent Company 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.

## **Responsibilities of directors**

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, and for such internal control as the directors 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 Parent 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 Parent company or to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements** (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



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

(0 November 2017

## Consolidated income statement

for the year ended 31 July 2017

	<i>Notes</i>	<i>2017</i> £'000	<i>2016</i> £'000
<b>Revenue</b>	5	198,601	154,077
Cost of sales		(152,178)	(116,541)
<b>Gross profit</b>		46,423	37,536
Administrative expenses		(23,130)	(20,535)
Other operating income		236	217
<b>Operating profit</b>		23,529	17,218
Finance income	10	22	9
Finance costs	11	(1,142)	(1,201)
<b>Profit before tax</b>		22,409	16,026
Income tax expense	12	(4,777)	(3,509)
<b>Profit for the year</b>		<u>17,632</u>	<u>12,517</u>

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

## Consolidated statement of comprehensive income

for the year ended 31 July 2017

Total comprehensive income for the year represents the profit for the year of £17,632,558 (2016: £12,516,868).

**Statement of changes in equity**

at 31 July 2017

**Consolidated statement of changes in equity**

	<i>Notes</i>	<i>Share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
At 1 August 2015		245	4,180	29,982	34,407
Total comprehensive income for the year		-	-	12,517	12,517
Equity dividends paid	13	-	-	(2,500)	(2,500)
At 31 July 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

**Company statement of changes in equity**

	<i>Notes</i>	<i>Share capital £'000</i>	<i>Merger reserve £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
At 1 August 2015		245	4,313	2,880	637	8,075
Total comprehensive income for the year		-	-	-	2,587	2,587
Equity dividends paid	13	-	-	-	(2,500)	(2,500)
At 31 July 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

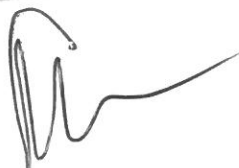
## Consolidated balance sheet at 31 July 2017

	<i>Notes</i>	<i>2017</i> £'000	<i>2016</i> £'000
<b>Non-current assets</b>			
Intangible assets	14	129	90
Property, plant and equipment	15	8,374	8,747
Deferred tax asset	12	79	111
Other receivables	19	237	299
		<u>8,819</u>	<u>9,247</u>
<b>Current assets</b>			
Inventories	17	241,004	193,877
Trade and other receivables	19	5,999	2,653
Cash at bank and in hand	20	31,499	16,963
		<u>278,502</u>	<u>213,493</u>
<b>Total assets</b>		<u>287,321</u>	<u>222,740</u>
<b>Current liabilities</b>			
Loans and borrowings	21	2,831	2,999
Trade and other payables	22	46,575	37,065
Income tax payable		2,693	2,339
		<u>52,099</u>	<u>42,403</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	175,512	135,766
Provisions for liabilities	23	154	147
		<u>175,666</u>	<u>135,913</u>
<b>Total liabilities</b>		<u>227,765</u>	<u>178,316</u>
<b>Net assets</b>		<u>59,556</u>	<u>44,424</u>
<b>Capital and reserves</b>			
Share capital	25	245	245
Capital redemption reserve	26	4,180	4,180
Retained earnings	26	55,131	39,999
<b>Total equity</b>		<u>59,556</u>	<u>44,424</u>

The financial statements were approved by the Board of Directors on 7 November 2017 and were signed on its behalf by:



R P Weston  
Director



S R Thomas  
Director



## Company balance sheet

at 31 July 2017

	<i>Notes</i>	<i>2017</i> £'000	<i>2016</i> £'000
<b>Non-current assets</b>			
Investments	16	5,089	5,089
<b>Current assets</b>			
Trade and other receivables	19	4,404	5,493
<b>Total assets</b>		<u>9,493</u>	<u>10,582</u>
<b>Current liabilities</b>			
Loans and borrowings	21	-	688
Trade and other payables	22	595	1,107
Income tax payable		32	-
		<u>627</u>	<u>1,795</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	625	625
<b>Total liabilities</b>		<u>1,252</u>	<u>2,420</u>
<b>Net assets</b>		<u>8,241</u>	<u>8,162</u>
<b>Capital and reserves</b>			
Share capital	25	245	245
Capital redemption reserve	26	2,880	2,880
Merger reserve	26	4,313	4,313
Retained earnings	26	803	724
<b>Total equity</b>		<u>8,241</u>	<u>8,162</u>

The financial statements were approved by the Board of Directors on 7 November 2017 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 2017

	Notes	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>					
Cash (outflow)/inflow from operations	27	(7,920)	(32,010)	580	590
Interest paid		(6,892)	(6,890)	(10)	(49)
Interest element of finance lease rental payments		(72)	(66)	-	-
Non-equity dividends paid		(722)	(722)	(50)	(50)
Tax paid		(4,393)	(1,448)	-	(5)
Net cash (outflow)/inflow from operating activities		<u>(19,999)</u>	<u>(41,136)</u>	<u>520</u>	<u>486</u>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(703)	(2,167)	-	-
Payments to acquire intangible assets		(82)	(15)	-	-
Proceeds on disposal of property, plant and equipment		253	308	-	-
Equity dividends received		-	-	2,500	2,500
Interest received		22	9	180	214
Net cash (outflow)/inflow from investing activities		<u>(510)</u>	<u>(1,865)</u>	<u>2,680</u>	<u>2,714</u>
<b>Cash flows from financing activities</b>					
Capital element of finance lease rental payments		(1,869)	(1,593)	-	-
Increase in bank loans and borrowings		126,614	201,730	-	-
Repayment of bank loans and borrowings		(87,200)	(143,700)	(700)	(700)
Equity dividends paid		(2,500)	(2,500)	(2,500)	(2,500)
Net cash inflow/(outflow) from financing activities		<u>35,045</u>	<u>53,937</u>	<u>(3,200)</u>	<u>(3,200)</u>
Net increase in cash		14,536	10,936	-	-
Cash at bank and in hand brought forward		16,963	6,027	-	-
Cash at bank and in hand carried forward		<u>31,499</u>	<u>16,963</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements at 31 July 2017

### 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 7 November 2017.

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 2017.

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 2017

### 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 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 2017

### 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 (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 2017

### 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 2017

### 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 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 2017

#### 4 New standards and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants

The effects of the implementation of these standards have been limited to disclosure amendments.

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.

##### *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

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.

##### *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 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 net effect on profits in a given year is not anticipated to be significant. The Group operates a number of such operating leases, principally in relation to office properties (see note 29 for further information).

##### *Amendments to Standards*

*Effective for accounting periods beginning on or after*

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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## Notes to the financial statements (continued)

### at 31 July 2017

#### 5 Revenue

	2017	2016
	£'000	£'000
Sale of residential and commercial property	179,106	135,502
Sales from construction contracts	15,253	11,777
Sale of freehold reversions	2,797	5,419
Rendering of services	898	788
Rental income received	547	591
	<u>198,601</u>	<u>154,077</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.

#### 7 Operating profit

This is stated after charging:

	2017	2016
	£'000	£'000
Depreciation:		
Owned assets	1,313	1,217
Assets under hire purchase	974	723
Amortisation of intangible assets	43	28
Loss on sale of tangible assets	2	1
Auditor's remuneration		
- audit of the Company and Group financial statements	65	60
- IFRS transition services	-	45
- audit related assurance services	20	5
Operating lease rentals	1,448	1,482
- land and buildings	<u>3,865</u>	<u>3,561</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>	
	2017	2016
	No.	No.
Directors – company	10	10
Directors – subsidiaries	7	3
Office	188	175
Site	140	119
Conferences and serviced offices	23	23
Environmental consultancy	17	16
	<u>385</u>	<u>346</u>

**Notes to the financial statements** (continued)  
at 31 July 2017

**8 Staff numbers and costs** (continued)

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	22,459	18,334
Social security costs	2,587	2,097
Pension costs	1,568	1,442
	<u>26,614</u>	<u>21,873</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 (2016: £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:

	2017 £'000	2016 £'000
Wages and salaries	6,373	5,390
Social security costs	944	709
Termination benefits	267	34
Defined contribution pension costs	332	311
	<u>7,916</u>	<u>6,444</u>

**9 Directors' emoluments**

	2017 £'000	2016 £'000
Directors' emoluments	<u>4,128</u>	<u>3,639</u>
Company contributions to money purchase pension schemes	<u>127</u>	<u>147</u>
Highest paid director: Emoluments	<u>1,585</u>	<u>1,401</u>

**10 Finance income**

	2017 £'000	2016 £'000
Other interest	<u>22</u>	<u>9</u>
	<u>22</u>	<u>9</u>

## Notes to the financial statements (continued)

at 31 July 2017

### 11 Finance costs

	2017	2016
	£'000	£'000
Bank loans and overdrafts	341	410
Finance charges payable under finance leases	71	66
Dividends on redeemable 8% preference shares of £1 each	722	722
Other interest payable	8	3
	<u>1,142</u>	<u>1,201</u>

#### Reconciliation of finance costs (including non-equity dividends)

	2017	2016
	£'000	£'000
Interest paid	7,686	7,678
Movement in prepaid finance costs	565	(813)
Creditor movement	390	(148)
Movement in interest capitalised in the year	(2,919)	(554)
Total charged to the income statement	<u>5,722</u>	<u>6,163</u>

Split as follows:

Included in cost of sales	4,580	4,962
Included in finance costs above	1,142	1,201
Total charged to the income statement	<u>5,722</u>	<u>6,163</u>

### 12 Taxation

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

	2017	2016
	£'000	£'000
<b>Current income tax:</b>		
UK corporation tax on profits of the period	4,782	3,486
Adjustments in respect of previous periods	(36)	(92)
Total current tax	<u>4,746</u>	<u>3,394</u>

#### Deferred tax:

Origination and reversal of temporary differences	(2)	(9)
Impact of change in tax rate or laws	4	12
Adjustments in respect of prior year	29	112
Total deferred tax	<u>31</u>	<u>115</u>

#### Total tax expense in the income statement

	<u>4,777</u>	<u>3,509</u>
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## Notes to the financial statements (continued)

### at 31 July 2017

#### 12 Taxation (continued)

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

The tax expense in the income statement for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.67% (2016: 20%).

The differences are reconciled below:

	2017 £'000	2016 £'000
Profit for the year	22,409	16,026
Profit for the year multiplied by standard rate of corporation tax in the UK of 19.67% (2016: 20%)	4,408	3,205
Expenses not deductible for tax purposes	230	127
Adjustments in respect of prior periods	(7)	21
Dividends not subject to tax	142	144
Effect of other tax rates/credits	4	12
Total tax expense reported in the income statement	4,777	3,509

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

The rate of corporation tax changed from 20% to 19% with effect from 1 April 2017. Accordingly the Group's results for this accounting period is taxed at a blended rate of 19.67%. This is an average of the standard 20% rate applied in August 2016 to March 2017 and 19% applied in April 2017 to July 2017 .

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 date.

##### (d) Deferred tax

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

	2017 £'000	2016 £'000
Accelerated capital allowances	88	84
Other	(9)	27
Deferred tax assets	79	111
Provided deferred tax movements:		£'000
At 1 August 2016		111
Deferred tax debited to the income statement for the period		(32)
At 31 July 2017		79

#### 13 Dividends paid

	2017 £'000	2016 £'000
Equity dividend on ordinary shares - final dividend of 10.2p (2016: 10.2p)	2,500	2,500

**Notes to the financial statements** (continued)  
at 31 July 2017**14 Intangible assets**

	<i>Computer software £'000</i>
Cost:	
At 1 August 2016	372
Additions	82
At 31 July 2017	<u>454</u>
Amortisation:	
At 1 August 2016	282
Provided during the year	43
At 31 July 2017	<u>325</u>
Net book value:	
At 31 July 2017	<u>129</u>
At 31 July 2016	<u>90</u>

## Notes to the financial statements (continued)

### at 31 July 2017

#### 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 2016	981	2,244	5,063	6,865	1,951	17,104
Additions	114	148	866	759	282	2,169
Disposals	-	(1)	(581)	(56)	(5)	(643)
At 31 July 2017	<u>1,095</u>	<u>2,391</u>	<u>5,348</u>	<u>7,568</u>	<u>2,228</u>	<u>18,630</u>
Depreciation:						
At 1 August 2016	-	1,177	1,920	3,876	1,384	8,357
Provided during the year	107	291	879	826	184	2,287
Disposals	-	(1)	(337)	(49)	(1)	(388)
At 31 July 2017	<u>107</u>	<u>1,467</u>	<u>2,462</u>	<u>4,653</u>	<u>1,567</u>	<u>10,256</u>
Net book value:						
At 31 July 2017	<u>988</u>	<u>924</u>	<u>2,886</u>	<u>2,915</u>	<u>661</u>	<u>8,374</u>
At 31 July 2016	<u>981</u>	<u>1,067</u>	<u>3,143</u>	<u>2,989</u>	<u>567</u>	<u>8,747</u>

#### **Assets held under finance leases**

The carrying value of motor vehicles held under finance leases and hire purchase contracts at 31 July 2017 was £1,560,000 (2016: £1,390,000). Additions during the year include £814,000 (2016: £557,000) 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 2017 was £1,893,000 (2016: £1,901,000). Additions during the year include £460,000 (2016: £1,509,000) 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 2017 was £88,000 (2016: £Nil). Additions during the year include £108,000 (2016: £Nil) of office equipment under finance leases and hire purchase contracts.

#### 16 Investments

##### *Company*

	<i>Subsidiary undertakings</i>
	£ '000
Cost at 31 July 2017 and 31 July 2016	<u>5,089</u>
Net book value at 31 July 2017 and 31 July 2016	<u>5,089</u>

## Notes to the financial statements (continued)

at 31 July 2017

### 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
Ezee Living Limited	Ordinary	Dormant

\* held indirectly

### 17 Inventories

	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>
Development land and buildings	230,454	189,892
Residual freeholds	8,571	2,804
Consumables	1,979	1,181
	<u>241,004</u>	<u>193,877</u>

Included in development land and buildings are capitalised borrowing costs of £8,597,203 (2016: £5,677,795)

Inventories recognised as an expense in the year were £152,159,610 (2016: £116,140,327).

### 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 £12,622,040 (2016: £7,391,766)

## Notes to the financial statements (continued)

at 31 July 2017

### 19 Trade and other receivables

*Current receivables:*

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	292	809	-	-
Amounts recoverable on contracts	2,631	146	-	-
Amounts owed by group undertakings	-	-	4,404	5,493
Other receivables	2,144	809	-	-
Prepayments and accrued income	932	889	-	-
	<u>5,999</u>	<u>2,653</u>	<u>4,404</u>	<u>5,493</u>

*Non-current receivables:*

Other receivables	237	299	-	-
	<u>237</u>	<u>299</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>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Current:</i>				
Term loan	-	688	-	688
Finance leases and hire purchase contracts	1,331	1,411	-	-
Redeemable 8% preference shares of £1 each	1,500	900	-	-
	<u>2,831</u>	<u>2,999</u>	<u>-</u>	<u>688</u>

The Term loan balance above is shown net of prepaid finance costs of £Nil (2016: £11,617).

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Non current:</i>				
Revolving Credit Facility (RCF)	165,665	125,111	-	-
Finance leases and hire purchase contracts	978	1,300	-	-
Redeemable 8% preference shares of £1 each	7,525	8,125	625	625
Unsecured loan	1,344	1,230	-	-
	<u>175,512</u>	<u>135,766</u>	<u>625</u>	<u>625</u>



## Notes to the financial statements (continued)

at 31 July 2017

### 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 £1,835,003 (2016: £2,388,658). Interest is charged on this facility at LIBOR plus a margin of 3.625%.

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

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 £1,500,000 (2016: £900,000) is repayable within one year, £4,000,000 (2016: £4,500,000) is repayable between two and five years and £3,525,000 (2016: £3,625,000) 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:

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	1,331	1,411	-	-
Later than one year and less than five years	978	1,300	-	-
	<u>2,309</u>	<u>2,711</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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Current liabilities:</i>				
Trade payables	5,504	1,589	-	-
Other payables	1,023	1,465	595	1,022
Other creditors including taxes and social security	1,345	1,185	-	-
Accruals	21,721	13,417	-	85
Deferred income	16,982	19,409	-	-
	<u>46,575</u>	<u>37,065</u>	<u>595</u>	<u>1,107</u>

## Notes to the financial statements (continued)

### at 31 July 2017

#### 23 Provisions for liabilities

	<i>Dilapidations</i>
	<i>£'000</i>
At 1 August 2016	147
Increase in provision during the year	7
At 31 July 2017	<u>154</u>

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, 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 as detailed on the next page:

## Notes to the financial statements (continued)

### at 31 July 2017

#### 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 at 31 July 2017 and 31 July 2016.

##### Liquidity risk at 31 July 2017

	Notes	Maturity				Total £'000
		On demand £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	
Interest bearing loans and borrowings	21	-	2,831	170,643	4,869	178,343
Trade and other payables	22	-	28,248	-	-	28,248
		<u>-</u>	<u>31,079</u>	<u>170,643</u>	<u>4,869</u>	<u>206,591</u>

##### Liquidity risk at 31 July 2016

	Notes	Maturity				Total £'000
		On demand £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	
Interest bearing loans and borrowings	21	-	2,999	130,911	4,855	138,765
Trade and other payables	22	-	16,471	-	-	16,471
		<u>-</u>	<u>19,470</u>	<u>130,911</u>	<u>4,855</u>	<u>155,236</u>

##### 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	
	2017 £'000	2016 £'000
Impact on profit before tax	<u>244</u>	<u>166</u>

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:

	2017 £'000	2016 £'000
Amount capitalised into inventories impacting future profits	<u>594</u>	<u>404</u>

## Notes to the financial statements (continued)

at 31 July 2017

### 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 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

	2017	2016
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
24,500,942 Ordinary shares of 1p each	245	245

### 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 2017

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

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	23,529	17,218	-	-
Depreciation and amortisation	2,330	1,968	-	-
Loss on sale of property, plant and equipment	2	1	-	-
Finance costs included in cost of sales	4,580	4,962	-	-
Increase in inventories	(44,203)	(62,386)	-	-
(Increase)/decrease in trade and other receivables	(3,284)	1,729	1,090	356
Increase/(decrease) in trade and other payables	9,126	4,498	(510)	234
Net cash (outflow)/inflow from operations	<u>(7,920)</u>	<u>(32,010)</u>	<u>580</u>	<u>590</u>

### 28 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	16,963	14,536	-	31,499
Loans	(129,430)	(39,414)	-	(168,844)
Preference shares	(9,025)	-	-	(9,025)
Finance leases	(2,711)	1,869	(1,467)	(2,309)
Net debt	<u>(124,203)</u>	<u>(23,009)</u>	<u>(1,467)</u>	<u>(148,679)</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	(700)	700	-	-
Preference shares	(625)	-	-	(625)
Net debt	<u>(1,325)</u>	<u>700</u>	<u>-</u>	<u>(625)</u>

### 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:

	<i>Group</i>	
	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	1,426	1,464
After one year and less than five years	5,830	5,799
After five years	17,043	18,500
	<u>24,299</u>	<u>25,763</u>

## Notes to the financial statements (continued)

### at 31 July 2017

### 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 2017 the bank borrowings amounted to £167,500,000 (2016: £128,200,000).

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 (2016: £1,264,000).

### 31 Related party transactions

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

	2017	2016
	£'000	£'000
R P Weston	324	752

Included in non-current liabilities and current liabilities are loan balances of £1,343,943 (2016: £1,230,000) and £6,400,000 redeemable 8% preference shares of £1 each (2016: £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 £142,191 (2016: £287,737) was paid for the provision of the loan facility and £512,000 (2016: £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 (2016: £2,000,000). Of these, £1,000,000 (2016: £1,000,000) are owed to S P Bickel and his wife L Bickel whilst the other £1,000,000 (2016: £1,000,000) are owed to S Hoenig, the sister of S P Bickel and her husband N Hoenig. Dividends of £80,000 (2016: £80,000) were paid during the year to S P Bickel and L Bickel and £80,000 (2016: £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 (2016: £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 (2016: £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 £7,157,045 (2016: £2,165,846), 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 £179,802 (2016: £214,054). At the balance sheet date £4,403,647 (2016: £5,493,408) was owed to the Company by Weston Homes Plc.

During the year a Group company carried out construction works for R P Weston, a director of the Company totalling £675,734 (2016: £209,804). Both transactions were at normal prices and on normal business terms and no amounts were outstanding at the year end.