Registered No. 4179330

# Weston Group Plc

## Annual Report and Financial Statements

31 July 2019

Registered No. 4179330

## Directors

R P Weston
S P Bickel
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)
A R Taylor (Non-executive)

## Secretary

R P Weston

## Independent Auditors

PricewaterhouseCoopers LLP
The Maurice Wilkes Building
St John's Innovation Park
Cowley Road
Cambridge
CB4 0DS

## Bankers

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

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

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

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

## Registered Office

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

## Solicitors

Nockolds Solicitors Ltd
6 Market Square
Bishop's Stortford
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

The past year has been one of consolidation for the Group against a back drop of a more challenging economic and political environment. The UK housing market has been resilient but the ongoing conjecture over Brexit has had a dampening affect and has impacted this year's results. Although these were below expectations, the Group has still posted an extremely solid set of numbers culminating in an increase in net assets of £17.6m meaning that the £100m mark was exceeded for the first time in the Group's history.

### Operating results

Although the actual number of unit sales completions increased from 737 to 767, total revenue fell marginally by £1.2m to £255.9m, a drop of 0.45%. This can be explained by a different mix of sales compared to the previous year. This year there was less of the higher value open market residential and commercial property completions relative to the number of the lower value affordable housing contract completions. This, coupled with a slighty higher number of freehold reversion sales resulted in overall turnover reducing by £1.2m. Revenue from the serviced offices and environmental consultancy businesses was broadly in line with the previous year. Total gross profit fell by £11.0m to £51.6m and as a result the gross profit margin also fell from 24.3% to 20.17%. This was due to the different mix of sales as mentioned above. Administrative expenses reduced by £1.3m to £25.0m and as a percentage of revenue also fell from 10.3% to 9.8%.

The Group's operating margin fell by 3.66% to 10.48% flowing through from the lower gross margin and lower administrative expenses. Finance costs charged directly to the income statement rose by £0.6m to £1.8m meaning that the Group achieved a pre-tax profit of £25.0m, some £10.1m lower than last year. The Group's effective tax rate remained in line with last year at just over 20% and the total tax charge was £5.1m compared to £7.1m in 2018.

The level of dividends paid to ordinary shareholders was maintained at the same amount as last year at £3m and after these were paid the Group retained a very high proportion of post-tax profits within the business at 85% (2018: 89.3%).

### Balance Sheet

Net assets at 31 July 2019 were £102.3m, an increase of £17.6m over last year. Inventories represented the most significant proportion of net assets at £273.6m (2018: 240.1m) with the vast majority of this comprising work in progress on development sites. This increase was in large part due to a higher amount being spent on new sites for future development. The Group invested £65.5m on new sites compared to £23.9m in 2018 as part of the Board's ongoing strategy to grow the business in it's core market of the South East of England. As a result the number of units in the development cycle rose by 1,080 to 6,946 providing the largest development pipeline in the Group's history. Net debt increased by £39m from £123.8m to £162.8m (note 30) to help fund this expansion.

The Group has always sought to de-risk the development pipeline by securing forward sales wherever possible. At the year end the amount of units forward sold amounted to £195.3m. Although this was lower than at the previous year end it was nonetheless a highly significant amount in helping to reduce future risk for the next few financial years.

# Strategic report (continued)

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

### Banking

The majority of the Group's funding is derived from bank borrowings under a revolving credit facility provided by HSBC, Lloyds Banking Group, Bank of Ireland and Allied Irish Banks. During the year negotiations took place with the syndicate of banks to extend the facility past the April 2020 expiry date in order to provide certainty of future funding to deliver on the Board's growth aspirations. These negotiations were concluded in July 2019 and the facility was increased from £200m to £203m and extended out to July 2024. This was a significant achievement and once again demonstrates the faith our banking partners have in the business. The Group also secured further finance outside of the revolving credit facility by way of a term loan provided by HSBC to help fund the continued construction of the new head office building in Takeley, Essex. This facility is in place for two years from July 2019.

### Looking forward

There is no doubt that the ongoing uncertainty around Brexit has adversely impacted the housing market and wider economy. However, the Board are cautiously optimistic that the resolution of this will see an upturn in the number of people willing to commit to purchasing a new property, once a decision on Brexit has been made. This, coupled with the funding secured for the next five years and a substantial forward sales book puts the Weston Group in a strong financial position to move forward.

## Key performance indicators

| Financial | | *2019* | *2018* |
|---|---|---|---|
| Operating margin | Operating profit as a percentage of revenue. We regard this as an important measure of the quality of financial returns. | 10.48% | 14.15% |
| 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. | 85.0% | 89.3% |
| Net assets | Value of the net assets of the Group. Monitored on a monthly basis as part of bank covenant compliance. | £102.3m | £84.7m |
| Work in progress | Value of work in progress of the Group at the year end measured by stock of development land and buildings and residual freeholds. | £270.3m | £236.9m |
| Net debt | Value of net debt. Managed on a weekly basis as part of bank covenant compliance. | £162.8m | £123.8m |
| Cash flow from operating activities | Value of cash flow from operating activities during the financial year. | £9.0m outflow | £45.5m inflow |
| Forward sales | Value of sales which are reserved or exchanged which will complete after the end of the financial year. | £195.3m | £248.0m |

# Strategic report (continued)

## Key performance indicators (continued)

| Non Financial | | *2019* | *2018* |
|---|---|---|---|
| Units in the development cycle | Number of units which are in the planning, design, construction or sales process at the year end. | 6,946 | 5,866 |
| 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. | 767 | 737 |

## 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. The continued uncertainty over Brexit has dampened demand in the UK housing market in the short term. In the medium to long term it is extremely difficult to predict the overall impact on the economy and is hence outside of the Board's control. The business can mitigate any downside by continuing to differentiate itself from our competitors as detailed above.

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

- **Attracting and retaining high-calibre employees:** access to an appropriately skilled workforce is essential in maintaining operational performance. An inability to attract, develop or retain good people will inhibit the Group's ability to achieve its strategy. The Group is committed to building careers for life and attract staff through various comprehensive programmes with structured development opportunities. As part of the 5% Club, the Group pledges to have a minimum of 5% of the workforce enrolled in sponsored programmes. There is ongoing monitoring of employee turnover, absence statistics and feedback from exit interviews. Employee engagement surveys are circulated to measure employee satisfaction and remuneration is benchmarked against industry competitors.

- **Regulatory compliance:** failure to adhere to an increasingly stringent planning and regulatory environment could adversely impact the Group's reputation and result in financial implications, including increased direct costs and penalties and delays in production. To mitigate this, the Group engages extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any disruption.

By order of the Board

R P Weston
Secretary

5 November 2019

# Directors' report

The directors present their annual report and the audited Group financial statements for the year ended 31 July 2019.

## Results and dividends

The profit for the year, after taxation, amounted to £19.9m (2018: £28.1m). During the year the directors approved a dividend of £3.0m (2018: £3.0m).

## Going concern

The Group has in place with its syndicate of banks a £203m revolving credit facility committed until July 2024. On the basis of our current forecasts no breaches in covenants are anticipated and the Group has sufficient cash to manage its working capital needs. The financial statements have therefore been prepared on the going concern basis.

## Principal activity

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

## Political and charitable contributions

During the year, the Group made charitable contributions of £408,000 (2018: £368,000).

## Directors

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

| | | |
|---|---|---|
| R P Weston | | |
| S P Bickel | | |
| S R Thomas | | |
| J G Y Wood | | |
| J E Stock | | |
| J R Lewis | | |
| M W Alden | (resigned 30 August 2019) | |
| R J Downing | (Non-executive) | |
| M A Chapman | (Non-executive) | |
| S Miles-Brown | (Non-executive) | |
| A R Taylor | (Non-executive) | (appointed 20 November 2018) |

## Directors' and officers' indemnity insurance

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

## Creditor payment policy and practice

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

At 31 July 2019, the Group had an average of 11 days (2018: 12 days) purchases outstanding in trade payables.

# Directors' report (continued)

## Disabled employees

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

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

## Employee involvement

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

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

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

## Financial instruments

The Group finances its activities with a combination of bank loans, redeemable preference shares, finance leases and hire purchase contracts, cash and short term deposits as disclosed in note 23. 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 26 as are the objectives, policies and processes for their management and the methods used to measure each risk.

## Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board

R P Weston
Secretary

5 November 2019

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

## Directors' confirmations

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

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

# *Independent auditors' report to the members of Weston Group Plc*

## Report on the audit of the financial statements

### Opinion

In our opinion, Weston Group Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 July 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

### Basis for opinion

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

*Independence*

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

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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

### Reporting on other information

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

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

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

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

*Strategic Report and Directors' Report*

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

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

### Responsibilities for the financial statements and the audit

*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Responsibilities for the financial statements and the audit** (continued)

*Auditors' responsibilities for the audit of the financial statements*

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

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

*Use of this report*

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

7 November 2019

# Consolidated income statement
**for the year ended 31 July 2019**

| | *Note* | *2019* *£'000* | *2018* *£'000* |
|---|---|---|---|
| ***Revenue*** | 7 | 255,919 | 257,073 |
| Cost of sales | | (204,291) | (194,485) |
| ***Gross profit*** | | 51,628 | 62,588 |
| Administrative expenses | | (25,047) | (26,361) |
| Other operating income | | 247 | 137 |
| ***Operating profit*** | | 26,828 | 36,364 |
| Finance income | 12 | 35 | 40 |
| Finance costs | 13 | (1,821) | (1,227) |
| ***Profit before tax*** | | 25,042 | 35,177 |
| Income tax expense | 14 | (5,084) | (7,069) |
| ***Profit for the year*** | | 19,958 | 28,108 |

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

# Consolidated statement of comprehensive income
**for the year ended 31 July 2019**

Total comprehensive income for the year represents the profit for the year of £19,957,692 (2018: £28,107,839).

The notes on pages 17 to 38 are an integral part of these consolidated financial statements.

# Statement of changes in equity
**for the year ended 31 July 2019**

### Consolidated statement of changes in equity

| | *Note* | *Share capital £'000* | *Capital redemption £'000* | *Retained earnings £'000* | *Total £'000* |
|---|---|---|---|---|---|
| At 1 August 2017 | | 245 | 4,180 | 55,131 | 59,556 |
| Total comprehensive income for the year | | - | - | 28,108 | 28,108 |
| Share based payments | 34 | - | - | 11 | 11 |
| Issue of new ordinary shares | | 1 | - | - | 1 |
| Equity dividends paid | 15 | - | - | (3,000) | (3,000) |
| At 31 July 2018 | | 246 | 4,180 | 80,250 | 84,676 |
| Total comprehensive income for the year | | - | - | 19,958 | 19,958 |
| Share based payments | 34 | - | - | 639 | 639 |
| Equity dividends paid | 15 | - | - | (3,000) | (3,000) |
| At 31 July 2019 | | 246 | 4,180 | 97,847 | 102,273 |

### Company statement of changes in equity

| | *Note* | *Share capital £'000* | *Merger reserve £'000* | *Capital redemption £'000* | *Retained earnings £'000* | *Total £'000* |
|---|---|---|---|---|---|---|
| At 1 August 2017 | | 245 | 4,313 | 2,880 | 803 | 8,241 |
| Total comprehensive income for the year | | - | - | - | 2,849 | 2,849 |
| Share based payments | 34 | - | - | - | 11 | 11 |
| Issue of new ordinary shares | | 1 | - | - | - | 1 |
| Equity dividends paid | 15 | - | - | - | (3,000) | (3,000) |
| At 31 July 2018 | | 246 | 4,313 | 2,880 | 663 | 8,102 |
| Total comprehensive income for the year | | - | - | - | 2,579 | 2,579 |
| Share based payments | 34 | - | - | - | 639 | 639 |
| Equity dividends paid | 15 | - | - | - | (3,000) | (3,000) |
| At 31 July 2019 | | 246 | 4,313 | 2,880 | 881 | 8,320 |

The notes on pages 17 to 38 are an integral part of these consolidated financial statements.

# Consolidated balance sheet
**at 31 July 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Intangible assets | 16 | 194 | 224 |
| Property, plant and equipment | 17 | 19,583 | 9,005 |
| Deferred tax asset | 14 | 22 | 113 |
| Other receivables | 21 | 89 | 89 |
| | | 19,888 | 9,431 |
| ***Current assets*** | | | |
| Inventories | 19 | 273,579 | 240,141 |
| Trade and other receivables | 21 | 9,329 | 4,553 |
| Cash at bank and in hand | 22 | 20,980 | 11,756 |
| | | 303,888 | 256,450 |
| ***Total assets*** | | 323,776 | 265,881 |
| ***Current liabilities*** | | | |
| Loans and borrowings | 23 | 2,293 | 2,210 |
| Trade and other payables | 24 | 37,399 | 42,618 |
| Income tax payable | | 3,250 | 4,285 |
| | | 42,942 | 49,113 |
| ***Non-current liabilities*** | | | |
| Loans and borrowings | 23 | 178,385 | 131,925 |
| Provisions for liabilities | 25 | 176 | 167 |
| | | 178,561 | 132,092 |
| ***Total liabilities*** | | 221,503 | 181,205 |
| ***Net assets*** | | 102,273 | 84,676 |
| ***Capital and reserves*** | | | |
| Share capital | 27 | 246 | 246 |
| Capital redemption reserve | 28 | 4,180 | 4,180 |
| Retained earnings | 28 | 97,847 | 80,250 |
| ***Total equity*** | | 102,273 | 84,676 |

The notes on pages 17 to 38 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 5 November 2019 and were signed on its behalf by:

R P Weston
Director

S R Thomas
Director

# Company balance sheet
**at 31 July 2019**

| | Notes | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Investments | 18 | 5,089 | 5,089 |
| ***Current assets*** | | | |
| Trade and other receivables | 21 | 5,301 | 4,271 |
| Deferred tax asset | | 3 | - |
| | | 5,304 | 4,271 |
| ***Total assets*** | | 10,393 | 9,360 |
| ***Current liabilities*** | | | |
| Trade and other payables | 24 | 1,448 | 602 |
| Income tax payable | | - | 31 |
| | | 1,448 | 633 |
| ***Non-current liabilities*** | | | |
| Loans and borrowings | 23 | 625 | 625 |
| ***Total liabilities*** | | 2,073 | 1,258 |
| ***Net assets*** | | 8,320 | 8,102 |
| ***Capital and reserves*** | | | |
| Share capital | 27 | 246 | 246 |
| Capital redemption reserve | 28 | 2,880 | 2,880 |
| Merger reserve | 28 | 4,313 | 4,313 |
| Retained earnings | 28 | 881 | 663 |
| ***Total equity*** | | 8,320 | 8,102 |

The notes on pages 17 to 38 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent Company profit and loss account. The profit for the parent Company for the year was £2,578,794 (2018: £2,848,608).

The financial statements were approved by the Board of Directors on 5 November 2019 and were signed on its behalf by:

R P Weston
Director

S R Thomas
Director

# Consolidated and Company statement of cash flows

**for the year ended 31 July 2019**

| | | *Group* | | *Company* | |
|---|---|---|---|---|---|
| | | *2019* | *2018* | *2019* | *2018* |
| | *Note* | *£'000* | *£'000* | *£'000* | *£'000* |
| ***Cash flows from operating activities*** | | | | | |
| Cash (outflow)/inflow from operations | 29 | (9,014) | 45,533 | (102) | (117) |
| Interest paid | | (10,802) | (8,269) | - | - |
| Interest element of finance lease rental payments | | (67) | (82) | - | - |
| Non-equity dividends paid | | (722) | (722) | (50) | (50) |
| Tax paid | | (5,981) | (5,511) | (32) | (10) |
| Net cash (outflow)/inflow from operating activities | | (26,586) | 30,949 | (184) | (177) |
| ***Cash flows from investing activities*** | | | | | |
| Acquisition of property, plant and equipment | | (7,123) | (2,040) | - | - |
| Payments to acquire intangible assets | | (100) | (163) | - | - |
| Proceeds on disposal of property, plant and equipment | | 623 | 762 | - | - |
| Equity dividends received | | - | - | 3,000 | 3,000 |
| Interest received | | 35 | 40 | 184 | 176 |
| Net cash (outflow)/inflow from investing activities | | (6,565) | (1,401) | 3,184 | 3,176 |
| ***Cash flows from financing activities*** | | | | | |
| Capital element of finance lease rental payments | | (2,038) | (1,792) | - | - |
| Increase in bank loans and borrowings | | 321,913 | 89,500 | - | - |
| Repayment of bank loans and borrowings | | (274,500) | (134,000) | - | - |
| Issue of ordinary shares | | - | 1 | - | 1 |
| Equity dividends paid | | (3,000) | (3,000) | (3,000) | (3,000) |
| Net cash inflow/(outflow) from financing activities | | 42,375 | (49,291) | (3,000) | (2,999) |
| Net increase/(decrease) in cash | | 9,224 | (19,743) | - | - |
| Cash at bank and in hand brought forward | | 11,756 | 31,499 | - | - |
| Cash at bank and in hand carried forward | | 20,980 | 11,756 | - | - |

# Notes to the financial statements

**for the year ended 31 July 2019**

## 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 5 November 2019.

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 financial statements of Weston Group Plc and its subsidiary undertakings drawn up to 31 July 2019.

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.

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

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 2 Accounting policies (continued)

### 2.3 Significant accounting policies

***Adoption of new and revised standards***

The Group has adopted and applied the following standards and amendments issued by the International Accounting Standards Board (IASB) that are relevant to its operations for the first time in the year commencing 1 August 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Annual improvements to IFRSs 2014 - 2016 Cycle

The adoption of the above standards did not have a material impact on the financial position or performance of the Group. Further detail is set out in note 5.

***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. The Group has monitored Brexit developments over a period of time and has taken action designed to minimise the effects on the business.

***Revenue and profit recognition***

***a) Sale of residential and commercial property***

Revenue and profit are recognised in the income statement when control is transferred to the customer and this is deemed to occur when legal title of the property passes to the customer on legal completion. Revenue in respect of the sale of residential and commercial properties is recognised at the fair value of the consideration received or receivable, net of any discounts.

***b) Sales from construction contracts***

Revenue and profit from contracts is recognised over time as the performance obligations are satisfied from the date at which it is considered that the customer controls the asset, on a stage of completion basis determined by surveys of work performed.

Profit is recognised 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 by recording the revenue and related costs as control is transferred and performance obligations are satisfied. Full provision is made for losses on all contracts in the year in which they are first foreseen.

***c) Sale of freehold reversions***

Revenue and profit are recognised when control is transferred to the customer on legal completion.

***d) Rendering of services and rental income received***

Revenue is recognised when the performance obligations are satisfied, either on a straight line basis over the term of the relevant rental agreement, or at the point the service has been provided and control transfers to the customer.

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

## 2 Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

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

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

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

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

| | |
|---|---|
| Plant and machinery | - 5/7 years straight line |
| Motor vehicles | - 4/5 years straight line |
| Office equipment | - 3/5 years straight line |
| Leasehold improvements | - Shorter of the term of the lease or 10 years straight line |
| Freehold land improvements | - 15 years straight line |

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.

***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***

***Classification***

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit and loss), and
- those to be measured at amortised cost.

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

## 2 Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

***Recognition and derecognition***
Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

***Measurement***
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost
Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss
Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

## 2 Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

*Equity instruments*
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Group currently has no financial assets measured at FVOCI or FVPL. All assets held by the Group are held at amortised cost.

***Impairment***
The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

***b) Financial liabilities***

Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:
- measured at amortised cost; and
- measured subsequently at fair value through profit or loss (FVPL)

Non-derivative financial liabilities are measured at FVPL when they are considered held for trading or designated as such on initial recognition.

The Group has no non-derivative financial liabilities measured at FVPL. All liabilities are held at amortised cost.

***Trade and other payables***
Trade and other payables measured at amortised cost.

***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.

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

## 2 Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

***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.

***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.

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

## 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 over time as the performance obligations are satisfied as construction progresses. The Group considers the terms of the contract to identify projects as construction contracts. Judgement is required to assess the percentage completion on each contact as this involves estimating the total expected costs to completion and hence the profit recognised in a particular period.

## 4 Changes in accounting estimates

During 2019, the Group conducted an operational efficiency review of all assets which resulted in changes to the expected useful lives and method of depreciation used. The expected future benefits and obligations associated with each asset type was reassessed and assets are now depreciated using the straight line method.

As a result of these changes, the depreciation charge for the year decreased by £599,121. It is impracticable to estimate the amount of the effect in future periods.

## 5 Adoption of new accounting standards

In the current year, the Group adopted and applied the following accounting standards issued by the International Accounting Standards Board that are relevant to the operations of the Group.

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

The impact of the adoption of the new standards on the Group's financial statements is explained below. Neither of the standards had a material impact on the financial statements of the Group.

***IFRS 9 'Financial Instruments'***

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

On transition to IFRS 9, all financial assets continue to be measured at amortised cost. All assets held by the Group are held to collect contractual cashflows which consist only of payments of principal and, where relevant, interest on the principal amount outstanding.

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

## 5 Adoption of new accounting standards (continued)

***IFRS 9 'Financial Instruments' (continued)***

The IFRS 9 requirements regarding the classification and measurement of financial liabilities are broadly consistent with the previous standard, IAS 39. Accordingly, the adoption of IFRS 9 has had no impact of the classification and measurement of the Group's financial liabilities.

***IFRS 15 'Revenue from Contracts with Customers'***

The Group adopted IFRS 15 'Revenue from Contracts with Customers' which replaced IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised.

There is no change to the point of revenue recognition for the sale of residential and commercial property and the sale of freehold, as both the performance obligations, under IFRS 15, and the transfer of the risks and rewards, under IAS 18, are satisfied when legal title is transferred to the customer.

For construction contracts, there is no change to the timing of revenue recognition under IFRS 15. Revenue continues to be recognised over time in line with the stage of completion.

There is also no change to the timing or amount of revenue recognised in respect of services rendered and rental income. This continues to be over the term of the relevant rental agreement or at the point the service has been provided.

## 6 New standards and interpretations

At the date of approval of these financial statements, there are a number of standards, amendments and interpretations that have been issued but are not yet effective. The Directors do not expect the adoption of these to have a material impact on the financial statements, with the exception of IFRS 16 'Leases'.

IFRS 16 was issued in January 2016 and is effective for the year commencing 1st August 2019, with earlier adoption permitted. The standard specifies how leases are recognised, measured and disclosed. The standard requires the recognition of a right-of-use asset and corresponding lease liability on the Balance Sheet, for both operating and finance leases where the period of the lease is greater than 12 months and is not considered to be low value. In the Income Statement, the existing operating lease charge currently recognised within operating profit will be replaced by a depreciation charge in respect of the right-of-use asset, and an interest charge in relation to the lease liability. The majority of the Group's lease commitments will be brought onto the Balance Sheet together with corresponding right-of-use assets. This will impact the timing of the recognition of lease costs within the Income Statement although it will not affect the Group's cashflows.

The Directors have assessed the potential impacts of IFRS 16 and estimate the opening balance sheet adjustment at 1st August 2019 to be an increase in right-of-use asset of approximately £33.5m and lease liabilities of approximately £29.1m.

The composition of the Group's lease commitments will change over time and the discount rates applied are required to be updated to reflect the prevailing economic environment.

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 7 Revenue

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Sale of residential and commercial property | 214,252 | 235,593 |
| Sales from construction contracts | 37,174 | 19,047 |
| Sale of freehold reversions | 2,912 | 937 |
| Rendering of services | 1,069 | 974 |
| Rental income received | 512 | 522 |
| | 255,919 | 257,073 |

## 8 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.

## 9 Operating profit

This is stated after charging/(crediting):

| | | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| Depreciation: | | | |
| Owned assets | | 1,619 | 1,390 |
| Assets under hire purchase | | 696 | 854 |
| Amortisation of intangible assets | | 129 | 68 |
| (Profit)/loss on sale of tangible assets | | (32) | 34 |
| Auditors remuneration | - audit of the Company and Group financial statements | 74 | 73 |
| | - audit related assurance services | 5 | 5 |
| Operating lease rentals | - land and buildings | 2,038 | 1,497 |
| | | 4,529 | 3,921 |

## 10 Staff numbers and costs

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

| | Number of employees 2019 No. | 2018 No. |
|---|---|---|
| Directors – company | 11 | 10 |
| Directors – subsidiaries | 10 | 8 |
| Office | 229 | 213 |
| Site | 171 | 148 |
| Conferences and serviced offices | 21 | 25 |
| Environmental consultancy | 29 | 21 |
| | 471 | 425 |

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

## 10 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Wages and salaries | 24,362 | 26,114 |
| Social security costs | 2,732 | 3,058 |
| Other pension costs | 2,126 | 1,858 |
| | 29,220 | 31,030 |

### *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 (2018: £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:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Wages and salaries | 4,692 | 8,117 |
| Social security costs | 681 | 1,156 |
| Termination benefits | 53 | 50 |
| Defined contribution pension costs | 325 | 316 |
| | 5,751 | 9,639 |

## 11 Directors' emoluments

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Directors' emoluments | 2,566 | 5,055 |
| Company contributions to money purchase pension schemes | 83 | 90 |
| Highest paid director: | | |
| Emoluments | 534 | 1,335 |
| Company contributions paid to money purchase pension schemes | 33 | - |

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 12 Finance income

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Other interest | 35 | 40 |
| | 35 | 40 |

## 13 Finance costs

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Bank loans and overdrafts | 667 | 423 |
| Finance charges payable under finance leases | 66 | 62 |
| Dividends on redeemable 8% preference shares of £1 each | 722 | 722 |
| Other interest payable | 366 | 20 |
| | 1,821 | 1,227 |

| **Reconciliation of finance costs** (including non-equity dividends) | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Interest paid | 11,591 | 9,073 |
| Movement in prepaid finance costs | (1,701) | 457 |
| Creditor movement | 495 | (617) |
| Movement in interest capitalised in the year | (1,288) | (949) |
| Total charged to the income statement | 9,097 | 7,964 |
| | | |
| Split as follows: | | |
| Included in cost of sales | 7,276 | 6,737 |
| Included in finance costs above | 1,821 | 1,227 |
| Total charged to the income statement | 9,097 | 7,964 |

## 14 Income tax expense

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| ***Current income tax:*** | | |
| UK corporation tax on profits of the year | 4,966 | 7,090 |
| Adjustments in respect of previous periods | (20) | 13 |
| Total current tax | 4,946 | 7,103 |
| | | |
| ***Deferred tax:*** | | |
| Origination and reversal of temporary differences | 170 | (18) |
| Impact of change in tax rate or laws | (18) | 2 |
| Adjustments in respect of prior year | (14) | (18) |
| Total deferred tax | 138 | (34) |
| | | |
| ***Total tax expense in the income statement*** | 5,084 | 7,069 |

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 14 Income tax expense (continued)

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

The tax expense in the income statement for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

| | *2019* | *2018* |
|---|---|---|
| | *£'000* | *£'000* |
| Profit before tax | 25,042 | 35,177 |
| Profit for the year multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%) | 4,758 | 6,684 |
| Expenses not deductible for tax purposes | 196 | 251 |
| Adjustments in respect of prior periods | (34) | (5) |
| Dividends not subject to tax | 137 | 137 |
| Share options | 45 | - |
| Effect of other tax rates | (18) | 2 |
| Total tax expense reported in the income statement | 5,084 | 7,069 |

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

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

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

### *(d) Deferred tax*

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

| | *2019* | *2018* |
|---|---|---|
| | *£'000* | *£'000* |
| Accelerated capital allowances | (2) | 109 |
| Other | 24 | 4 |
| Deferred tax assets | 22 | 113 |

| | |
|---|---|
| Provided deferred tax movements: | *£'000* |
| At 1 August 2018 | 113 |
| Deferred tax charged to the income statement for the year | (91) |
| At 31 July 2019 | 22 |

## 15 Dividends paid

| | *2019* | *2018* |
|---|---|---|
| | *£'000* | *£'000* |
| Equity dividend on ordinary shares - final dividend of 12.2p (2018: 12.2p) | 3,000 | 3,000 |

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 16 Intangible assets

| | *Computer software £'000* |
|---|---|
| Cost: | |
| At 1 August 2018 | 617 |
| Additions | 99 |
| At 31 July 2019 | 716 |
| | |
| Accumulated amortisation: | |
| At 1 August 2018 | 393 |
| Charge for the year | 129 |
| At 31 July 2019 | 522 |
| | |
| Net book value: | |
| At 31 July 2019 | 194 |
| | |
| At 31 July 2018 | 224 |

## 17 Property, plant and equipment

| | *Land and buildings £'000* | *Leasehold property £'000* | *Motor vehicles £'000* | *Plant and machinery £'000* | *Office equipment £'000* | *Total £'000* |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At 1 August 2018 | 1,089 | 2,897 | 5,801 | 7,282 | 2,535 | 19,604 |
| Additions | 4,095 | 1,391 | 1,547 | 2,594 | 401 | 10,028 |
| Transfer from inventory | 3,456 | - | - | - | - | 3,456 |
| Disposals | - | - | (1,401) | (348) | (2) | (1,751) |
| At 31 July 2019 | 8,640 | 4,288 | 5,947 | 9,528 | 2,934 | 31,337 |
| | | | | | | |
| Accumulated depreciation: | | | | | | |
| At 1 August 2018 | 195 | 1,702 | 2,151 | 4,786 | 1,765 | 10,599 |
| Charge for the year | 20 | 278 | 741 | 822 | 454 | 2,315 |
| Disposals | - | - | (831) | (328) | (1) | (1,160) |
| At 31 July 2019 | 215 | 1,980 | 2,061 | 5,280 | 2,218 | 11,754 |
| | | | | | | |
| Net book value: | | | | | | |
| At 31 July 2019 | 8,425 | 2,308 | 3,886 | 4,248 | 716 | 19,583 |
| | | | | | | |
| At 31 July 2018 | 894 | 1,195 | 3,650 | 2,496 | 770 | 9,005 |

***Assets held under finance leases***

The carrying value of motor vehicles held under finance leases and hire purchase contracts at 31 July 2019 was £2,183,000 (2018: £1,910,000). Additions during the year include £919,000 (2018: £1,348,000) of motor vehicles under finance leases and hire purchase contracts.

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 17 Property, plant and equipment (continued)

### *Assets held under finance leases (continued)*

The carrying value of plant and machinery held under finance leases and hire purchase contracts at 31 July 2019 was £1,937,000 (2018: £1,252,000). Additions during the year include £1,611,000 (2018: £174,000) 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 2019 was £45,000 (2018: £66,000). Additions during the year include £Nil (2018: £Nil) of office equipment under finance leases and hire purchase contracts.

### *Property, plant and equipment under construction*

Included within land and buildings above are costs expended to date in connection with the ongoing construction of a new Group head office building.

## 18 Investments

*Company - Subsidiary undertakings*

| | *£ '000* |
|---|---|
| Cost at 31 July 2019 and 31 July 2018 | 5,089 |
| Net book value at 31 July 2019 and 31 July 2018 | 5,089 |

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

| *Name* | *Class of shares* | *Nature of business* |
|---|---|---|
| Weston Homes Plc | Ordinary | Property developers |
| Weston Homes (31 Millharbour) Ltd* | Ordinary | Property developers |
| Weston Homes (41 Millharbour) Ltd* | Ordinary | Property developers |
| Weston Homes (Basildon) Ltd* | Ordinary | Property developers |
| Weston Homes (Battersea) Ltd* | Ordinary | Property developers |
| Weston Homes (City) Ltd* | Ordinary | Property developers |
| Weston Homes (Commercial) Ltd* | Ordinary | Property developers |
| Weston Homes (Housing) Ltd* | Ordinary | Property developers |
| Weston Homes (Ipswich) Ltd* | Ordinary | Property developers |
| Weston Homes (Refurbishment) Ltd* | Ordinary | Property developers |
| Weston Homes (Skyway) 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*

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 19 Inventories

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Development land and buildings | 264,335 | 228,767 |
| Residual freeholds | 5,992 | 8,113 |
| Consumables | 3,252 | 3,261 |
| | 273,579 | 240,141 |

Included in development land and buildings are capitalised borrowing costs of £10,803,304 (2018: £9,546,338).

Inventories recognised as an expense in the year and included in cost of sales were £205,532,342 (2018: £195,393,373).

## 20 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 £41,971,282 (2018: £27,472,480).

## 21 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| *Current receivables:* | £'000 | £'000 | £'000 | £'000 |
| Trade receivables | 2,268 | 774 | - | - |
| Amounts recoverable on contracts | 393 | 748 | - | - |
| Amounts owed by group undertakings | - | - | 5,301 | 4,271 |
| Other receivables | 4,521 | 1,610 | - | - |
| Prepayments and accrued income | 2,147 | 1,421 | - | - |
| | 9,329 | 4,553 | 5,301 | 4,271 |
| *Non-current receivables:* | | | | |
| Other receivables | 89 | 89 | - | - |
| | 89 | 89 | - | - |

As at 31 July 2019, trade receivables of £2,268,000 (2018: £774,000) were fully performing.

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

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

## 22 Cash at bank and in hand

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

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

## 23 Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | *2019* | *2018* | *2019* | *2018* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| *Current:* | | | | |
| Finance leases and hire purchase contracts | 1,293 | 1,210 | - | - |
| Redeemable 8% preference shares of £1 each | 1,000 | 1,000 | - | - |
| | 2,293 | 2,210 | - | - |

| | Group | | Company | |
|---|---|---|---|---|
| | *2019* | *2018* | *2019* | *2018* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| *Non current:* | | | | |
| Revolving Credit Facility | 164,219 | 121,623 | - | - |
| Term Loan | 3,116 | - | - | - |
| Finance leases and hire purchase contracts | 1,681 | 933 | - | - |
| Redeemable 8% preference shares of £1 each | 8,025 | 8,025 | 625 | 625 |
| Unsecured loan | 1,344 | 1,344 | - | - |
| | 178,385 | 131,925 | 625 | 625 |

The Revolving Credit Facility (RCF) is provided by HSBC, Bank of Scotland, Bank of Ireland and Allied Irish Banks. The facility matures on 15 July 2024 and is shown above net of prepaid finance costs of £2,780,720 (2018: £1,377,415). Interest is charged on this facility at LIBOR plus a margin of 3.5%.

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

The Term Loan is a new facility entered into during the year by a Group company, Weston Homes (Skyway) Limited and is provided by HSBC to help finance the construction of a commercial building. The facility is available for two years from 4 July 2019 and is shown above net of prepaid finance costs of £297,326 (2018: £Nil). Interest is charged on this facility at LIBOR plus a margin of 3%.

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 2020 and 2029. In the Group figures £1,000,000 (2018: £1,000,000) is repayable within one year, £4,000,000 (2018: £4,000,000) is repayable between two and five years and £4,025,000 (2018: £4,025,000) 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.

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 23 Loans and borrowings (continued)

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

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2019* | *2018* | *2019* | *2018* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Within one year | 1,293 | 1,210 | - | - |
| Later than one year and less than five years | 1,681 | 933 | - | - |
| | 2,974 | 2,143 | - | - |

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.

## 24 Trade and other payables

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2019* | *2018* | *2019* | *2018* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| *Current liabilities:* | | | | |
| Trade payables | 3,124 | 2,849 | - | - |
| Other payables | 1,977 | 1,101 | 1,448 | 602 |
| Other creditors including taxes and social security | 938 | 1,090 | - | - |
| Accruals | 18,803 | 22,597 | - | - |
| Deferred income | 12,557 | 14,981 | - | - |
| | 37,399 | 42,618 | 1,448 | 602 |

## 25 Provisions for liabilities

| | *Dilapidations* |
|---|---|
| | *£'000* |
| At 1 August 2018 | 167 |
| Increase in provision during the year | 9 |
| At 31 July 2019 | 176 |

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 2043.

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

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 26 Financial risk management

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

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

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

### *Market risk*

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

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

### *Sensitivity analysis*

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

### *Liquidity risk*

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

The table below summarises the maturity profile of the Group's gross, undiscounted financial liabilities (including future interest payments) at 31 July 2019 and 31 July 2018.

Liquidity risk at 31 July 2019:

| | *Note* | *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 | 23 | - | 2,570 | 173,016 | 5,369 | 180,955 |
| Trade and other payables | 24 | - | 23,904 | - | - | 23,904 |
| | | - | 26,474 | 173,016 | 5,369 | 204,859 |

Liquidity risk at 31 July 2018:

| | *Note* | *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 | 23 | - | 2,307 | 126,556 | 5,369 | 134,232 |
| Trade and other payables | 24 | - | 26,547 | - | - | 26,547 |
| | | - | 28,854 | 126,556 | 5,369 | 160,779 |

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

## 26 Financial risk management (continued)

### *Interest rate risk*

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

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

| | *Effect on profit before tax* | |
|---|---|---|
| A 0.5% change in the LIBOR: | *2019* | *2018* |
| | *£'000* | *£'000* |
| Impact on profit before tax | 269 | 279 |

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:

| | *2019* | *2018* |
|---|---|---|
| | *£'000* | *£'000* |
| Amount capitalised into inventories impacting future profits | 552 | 538 |

### *Credit risk*

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

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

### *Capital management policy*

The primary objective of the Group's capital management is to ensure that it has the capital required to operate as a going concern and to grow the business at a reasonable cost of capital without incurring undue financial risks. The Group defines its capital as equity plus net debt where net debt is calculated as borrowings (including preference shares) less cash (note 30).

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.

## 27 Share capital

| | *2019* | *2018* |
|---|---|---|
| | *£'000* | *£'000* |
| 24,500,942 (2018: 24,500,942) Ordinary shares of £0.01 each | 245 | 245 |
| 97,887,076 (2018: 98,137,137) B Ordinary shares of £0.00001 each | 1 | 1 |
| | 246 | 246 |

# Notes to the financial statements (continued)

**for the year ended 31 July 2019**

## 28 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*

### (c) Merger reserve

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

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

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2019* | *2018* | *2019* | *2018* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Operating profit/(loss) | 26,828 | 36,364 | (593) | (267) |
| Depreciation and amortisation | 2,444 | 2,312 | - | - |
| (Profit)/loss on sale of property, plant and equipment | (32) | 34 | - | - |
| Finance costs included in cost of sales (Note 13) | 7,276 | 6,737 | - | - |
| Share based payments (Note 34) | 593 | 11 | 593 | 11 |
| (Increase)/decrease in inventories | (34,575) | 1,813 | - | - |
| (Increase)/decrease in trade and other receivables | (4,776) | 1,594 | (1,030) | 133 |
| (Decrease)/increase in trade and other payables | (6,772) | (3,332) | 928 | 6 |
| Net cash (outflow)/inflow from operations | (9,014) | 45,533 | (102) | (117) |

## 30 Analysis of net debt

*Group*

| | *Opening balance* | *Cash flows* | *Non cash movements* | *Closing balance* |
|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Cash at bank and in hand | 11,756 | 9,224 | - | 20,980 |
| Loans | (124,344) | (47,413) | - | (171,757) |
| Preference shares | (9,025) | - | - | (9,025) |
| Finance leases | (2,143) | 2,038 | (2,869) | (2,974) |
| Net debt | (123,756) | (36,151) | (2,869) | (162,776) |

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

## 30 Analysis of net debt (continued)

*Company*

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

## 31 Operating lease commitments

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

| | *Group* | |
|---|---|---|
| | *2019* | *2018* |
| | *£'000* | *£'000* |
| Not later than one year | 2,145 | 1,598 |
| After one year and less than five years | 8,677 | 6,336 |
| After five years | 34,010 | 17,576 |
| | 44,832 | 25,510 |

## 32 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 2019 the bank borrowings amounted to £167,000,000 (2018: £123,000,000).

The Company has given guarantees in respect of two operating leases entered into by a subsidiary undertaking of an annual amount of £1,363,000 (2018: £1,363,000).

## 33 Related party transactions

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

| | *2019* | *2018* |
|---|---|---|
| | *£'000* | *£'000* |
| R P Weston | 295 | 331 |
| S P Bickel | 265 | - |
| J G Y Wood | 49 | - |

Included in non-current liabilities and current liabilities are loan balances of £1,343,943 (2018: £1,343,943) and £6,400,000 redeemable 8% preference shares of £1 each (2018: £6,400,000) owed to A E Bickel, who is the mother of S P Bickel, a director of the Company. During the year £Nil (2018: £Nil) was paid for the provision of the loan facility and £512,000 (2018: £512,000) in dividends on the redeemable 8% preference shares of £1 each. The dividends are shown under finance costs.

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

## 33 Related party transactions (continued)

Also included in non-current liabilities and current liabilities are £2,000,000 redeemable 8% preference shares of £1 each (2018: £2,000,000). Of these, £1,000,000 (2018: £1,000,000) are owed to S P Bickel and his wife L Bickel whilst the other £1,000,000 (2018: £1,000,000) are owed to S Hoenig, the sister of S P Bickel and her husband N Hoenig. Dividends of ££80,000 (2018: £80,000) were paid during the year to S P Bickel and L Bickel and £80,000 (2018: £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 (2018: 625,000). During the year dividends of £50,000 (2018: £50,000) were paid in respect of these. This is shown under finance costs.

Included in current liabilities is a loan balance of £888,181 (2018: £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 £5,424,084 (2018: £4,402,390), 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 £183,705 (2018: £175,616). At the balance sheet date £5,300,648 (2018: £4,270,650) was owed to the Company by Weston Homes Plc.

During the year a Group company carried out construction works for J G Y Wood, a Director of the Company totalling £50,975 (2018: £Nil). This transaction was at normal prices and on normal business terms and no amounts were outstanding at the year end.

## 34 Share based payments

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

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

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

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

During the year the Company recognised total expenses of £592,667 (2018: £11,397) and deferred tax of £46,754 (2018: £Nil) related to equity-settled share-based payment transactions.