Registered No. 04179330

Weston Group Plc

Annual Report and Financial Statements

31 July 2014

Registered No: 04179330

Directors

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

Secretary

R P Weston

Auditors

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Bankers

HSBC Bank Plc
West End Corporate Banking Centre
70 Pall Mall
London
SW1Y 5EZ

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

Registered Office

The Weston Group Business Centre
Parsonage Road
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CM22 6PU

Solicitors

Nockolds Solicitors Ltd
6 Market Square
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CM23 3UZ

Macfarlanes LLP
20 Cursitor Street
London
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Fladgate LLP
16 Great Queen Street
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Strategic report

Review of the business and future developments

The Group had another excellent year in 2014.

Net cash inflow from operating activities of £19.7m resulted in another significant reduction in bank borrowings so that by the end of the year net debt was £55.5m, 14.2% lower than the £64.7m reported at 31 July 2013. Net assets also grew by £3.8m to £27.7m.

The three operating divisions of the Group, residential property development, conferences and serviced offices and environmental consultancy once again all reported improved results. The core business of residential property development performed particularly well.

During 2013 there were positive signs of a sustained recovery in the property market in the South East of England. As the recovery gathered pace during 2014 the market went from strength to strength and the Group took full advantage of the favourable trading conditions. The number of sales reservations achieved was exceptional at 735 units which not only far exceeded the Board's expectations but were significantly higher than 460 units taken in 2013. A large proportion of these sales were taken on developments still in the early stage of the development cycle which will therefore come to fruition and crystallise in future years. By the end of the financial year the Group had a forward sales book worth £95.6m, some £57.6m higher than the £38.0m at the end of 2013. This success enabled the Board to invest in a significant amount of new land acquisitions. By the end of the year the Group had spent nearly £36.0m on land for development which will provide the pipeline for future profit growth.

Sales completions were also a lot higher this year increasing by 92 units to 537. As would be expected turnover rose by £1.1m to £116.4m although the increase was lower than the number of units would suggest due to a higher proportion of affordable housing sales relative to the previous year. In fact the proportion of affordable housing completions to total completions in the year increased from 4.7% in 2013 to 20.1% this year. This, coupled with the impact of the results of some of our older developments meant that the gross margin % (pre-exceptional items) fell from 19.1% in 2013 to 18.1%, also resulting in operating profits (pre-exceptional items) falling from £9.0m in 2013 to £8.1m this year.

Administrative expenses before exceptional items at £13.2m was £0.1m higher than the prior year with an increase in staff costs being almost completely offset by savings elsewhere. Interest payable and similar charges reduced during the year from £2.1m to £1.6m due to lower stock holding costs on unsold units.

During the year a Group company also issued a further £0.5m of new 8% redeemable preference shares of £1 each to increase the total amount of preference share capital to £8.5m.

The Board are pleased with the commitment of its workforce and the contribution they have made and continue to make to the business. With the increased amount of activity in the South East housing market together with last year's decision to reorganise the internal structure of the business there has been a strong demand for new staff. The HR department has been busy in this regard so that the average number employed by the Group increased during the year by 24 to 210.

The Board is also committed to delivering the highest possible standards on customer service, health and safety and the environment.

The past year has seen a very strong trading performance, a solid set of financial results and a strengthening of the Board. This has culminated in an excellent forward sales position which the Board wishes to capitalise on. With the new regionally based organisational structure now firmly established and operational the forthcoming year will be focussed on delivering units as quickly and efficiently as possible so that the profits and cash tied up in the forward sales can be realised and reinvested into the business to help support future growth.

The Board is delighted with this year's financial performance and with the benefit of long standing relationships with its banks, suppliers and contractors looks forward with confidence in further developing and growing on its strong financial position in the coming years.

Strategic report (continued)

Key performance indicators

Financial		*2014*	*2013*
Operating margin	Operating profit as a percentage of turnover (from continuing activities pre-exceptional items). We regard this as an important measure of the quality of financial returns.	6.9%	7.8%
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.	75.9%	77.4%
Net assets	Value of the net assets of the group. Monitored on a monthly basis as part of bank covenant compliance.	£27.7m	£23.9m
Work in progress	Value of work in progress at the year end measured by stock of development land and buildings and residual freeholds.	£93.0m	£94.6m
Net debt	Value of net debt. Managed on a weekly basis as part of bank covenant compliance.	£55.5m	£64.7m
Cash flow from operating activities	Value of cash flow from operating activities during the financial year.	£19.7m inflow	£47.7m inflow
Forward sales	Value of sales which are reserved or exchanged which will complete after the end of the financial year.	£95.6m	£38.0m

Strategic report (continued)

Non Financial		*2014*	*2013*
Units in the development cycle	Number of units which are in the planning, design, construction or sales process at the year end.	1,235	881
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	537	445
Health and Safety	Number of incidents reportable by Weston Group to the Health and Safety Executive (HSE) during the financial year monitored to ensure we are meeting our Health and Safety obligations to our people	1	2
Customer satisfaction	Overall satisfaction score provided by our customers in response to customer satisfaction surveys. Marked on a scale of 1 to 5 where 5 is excellent and 1 is poor. Feedback in this form is an excellent way of monitoring the customer buying experience and the quality of our product.	3.70	3.80

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.

- **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' and 'New Buy' to widen our customer base and to maximise the possibility for customers to secure relevant funding.

- **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.

Strategic report (continued)

- **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. The Group has an interest rate hedge in place for a proportion of its banking facilities (see note 23).

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

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

- **Health and safety:** a significant incident could put people or the environment at risk adversely affecting the business's reputation. A dedicated in house Health and Safety department operates across the Group to ensure standards are applied and met. There is also a quarterly Health and Safety awards scheme which helps maintain the profile and critical importance to all staff.

R P Weston
Secretary

13 October 2014

Registered No: 04179330

Directors' report

The directors present their annual report and the Group financial statements for the year ended 31 July 2014.

Results and dividends

The profit for the year, after taxation, amounted to £5.0m (2013: £5.3m). During the year the directors approved a dividend of £1.2m (2013: £1.2m).

Going concern

The Group has in place with its club of banks a £100m committed revolving facility up until February 2018. On the basis of our current forecasts no breaches in covenants are anticipated. The financial statements have therefore been prepared on the going concern basis.

Principal activity

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

Political and charitable contributions

During the year, the group made charitable contributions of £87,000 (2013: £134,000).

Directors and their interests

The directors who served during the year were as follows:

R P Weston	
M W Alden	
S R Thomas	
S P Bickel	
M J Coker	(resigned 5 December 2013)
J G Y Wood	(appointed 1 May 2014)
R G Taylor	(deceased 5 November 2013)
R J Downing	
M A Chapman	
S Miles-Brown	(appointed 29 July 2014)

It is with great sadness to report the passing of Richard Taylor during the year. Richard was a key member of the board and his experience, knowledge and long standing support of the business over many years will be greatly missed.

Directors' and officers' indemnity insurance

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

Creditor payment policy and practice

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

At 31 July 2014, the Group had an average of 9 days (2013: 9 days) purchases outstanding in trade creditors.

Registered No: 04179330

Directors' report (continued)

Statement as to disclosure of information to auditors

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

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

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

R P Weston
Secretary

13 October 2014

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report
to the members of Weston Group Plc

We have audited the financial statements of Weston Group Plc for the year ended 31 July 2014, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

A Clewer (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

13 October 2014

Consolidated profit and loss account
for the year ended 31 July 2014

	Notes	2014 Pre-exceptional Items £'000	2014 Exceptional Items £'000	2014 Total £'000	2013 Pre-exceptional Items £'000	2013 Exceptional Items £'000	2013 Total £'000
Turnover	2	116,427	-	116,427	115,329	-	115,329
Cost of Sales		(95,345)	-	(95,345)	(93,311)	-	(93,311)
Gross profit		21,082	-	21,082	22,018	-	22,018
Administrative expenses		(13,219)	-	(13,219)	(13,088)	200	(12,888)
Other operating income		206	-	206	119	-	119
Operating profit	3	8,069	-	8,069	9,049	200	9,249
Interest receivable	4			9			8
Interest payable and similar charges	5			(1,553)			(2,098)
Profit on ordinary activities before taxation				6,525			7,159
Tax on profit on ordinary activities	8			(1,536)			(1,852)
Profit for the financial year				4,989			5,307

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

Consolidated statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £5.0m attributable to the shareholders for the year ended 31 July 2014 (2013: £5.3m).

Consolidated balance sheet
at 31 July 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	9	3,817	2,858
Current assets			
Stock	11	93,144	94,854
Debtors	12	3,401	1,931
Cash at bank and in hand		4,371	11,448
		100,916	108,233
Creditors: amounts falling due within one year	13	(20,102)	(13,824)
Net current assets		80,814	94,409
Total assets less current liabilities		84,631	97,267
Creditors: amounts falling due after more than one year	14	(56,908)	(73,333)
Net assets		27,723	23,934
Capital and reserves			
Called up share capital	15	245	245
Capital redemption reserve	16	4,180	4,180
Profit and loss account	16	23,298	19,509
Shareholders' funds	16	27,723	23,934

R P Weston
Director

S R Thomas
Director

13 October 2014

Company balance sheet
at 31 July 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	10	5,089	5,089
Current assets			
Debtors	12	7,283	9,328
Creditors: amounts falling due within one year	13	(2,387)	(2,719)
Net current assets		4,896	6,609
Total assets less current liabilities		9,985	11,698
Creditors: amounts falling due after more than one year	14	(1,983)	(2,654)
Net assets		8,002	9,044
Capital and reserves			
Called up share capital	15	245	245
Capital redemption reserve	16	2,880	2,880
Merger reserve	16	4,313	4,313
Profit and loss account	16	564	1,606
Shareholders' funds	16	8,002	9,044

R P Weston
Director

S R Thomas
Director

13 October 2014

Consolidated statement of cash flows
for the year ended 31 July 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	21(a)	19,744	47,709
Returns on investments and servicing of finance			
Interest received		9	8
Interest paid		(5,306)	(5,714)
Non-equity dividends paid		(652)	(600)
		(5,949)	(6,306)
Corporation tax paid		(1,492)	(249)
Capital expenditure			
Payments to acquire tangible fixed assets		(1,514)	(531)
Receipts from sales of tangible fixed assets		225	92
		(1,289)	(439)
Equity dividends paid		(1,200)	(1,000)
Net cash inflow before management of liquid resources and financing		9,814	39,715
Financing			
Decrease in short-term loans		-	(20,000)
Decrease in long-term loans		(16,800)	(12,200)
Capital element of finance lease rental payments		(591)	(723)
Issue of preference shares		500	2,000
		(16,891)	(30,923)
(Decrease)/increase in cash in the year		(7,077)	8,792

Reconciliation of net cash flow to the movement in net debt

	Notes	2014 £'000	2013 £'000
(Decrease)/increase in cash in the year		(7,077)	8,792
Net repayment of loans		16,800	32,200
Issue of preference shares		(500)	(2,000)
Capital element of finance leases repaid		591	723
Change in net debt resulting from cash flows	21(b)	9,814	39,715
New finance leases	21(b)	(634)	(480)
Movement in net debt in the year		9,180	39,235
Net debt at 1 August 2013	21(b)	(64,719)	(103,954)
Net debt at 31 July 2014	21(b)	(55,539)	(64,719)

Notes to the financial statements

at 31 July 2014

1. Accounting policies

Basis of preparing the financial statements

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. No profit and loss account is prepared for Weston Group Plc, the Company.

The financial statements of Weston Group Plc were approved for issue by the board of Directors on 13 October 2014.

Going concern

The Group has in place with its club of banks a £100m committed revolving facility up until February 2018. On the basis of our current forecasts no breaches in covenants are anticipated. The financial statements have therefore been prepared on the going concern basis.

Basis of consolidation

The Group financial statements consolidate the accounts of Weston Group Plc and its subsidiary undertakings drawn up to 31 July 2014.

Turnover & profit recognition

Turnover and profit is recognised at the point of legal completion of each property except for longer duration contracts. Profit on longer-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Fixed assets

All fixed assets are recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Leasehold improvements	-	25% reducing balance
Motor vehicles	-	25% reducing balance
Plant and machinery	-	25% reducing balance
Office equipment	-	25% reducing balance

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stock

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. Residual freehold interests are disclosed separately at cost within stock if a contract has been exchanged for sale to a third party at the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements
at 31 July 2014

1. Accounting policies (continued)

***Deferred taxation** (continued)*
Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Interest payable and similar charges
Interest payable and similar charges not directly attributable to the development of properties are charged to the profit and loss as incurred. Interest costs that are attributable to the development of properties is 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 interest charged to such properties is not capitalised but is written off directly to the profit and loss account under interest payable and similar charges.

Leasing 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 profit and loss account 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 profit and loss account on a straight line basis over the lease term.

Pensions
The Group operates defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Classification of shares as debt
The Group's 8% Redeemable Preference Shares of £1 each have been accounted for as a liability under FRS 25 as they carry some of the characteristics of debt and are disclosed as such, although their legal nature is that of share capital, accruing dividends.

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

2. Turnover

All Group turnover arises in the UK, is stated net of value added tax and excludes transactions between Group companies.

Property development turnover comprises the value of property completions except in respect of long-term contracts where the turnover represents the sales value of work done, including estimates in respect of amounts not invoiced.

Conferences and serviced offices and environmental consultancy turnover comprises the invoice value of services to customers.

Notes to the financial statements
at 31 July 2014

3. Operating profit

		2014 £'000	2013 £'000
The operating profit is stated after charging/crediting:			
Depreciation on tangible fixed assets		950	805
Profit loss on sale of tangible fixed assets		(10)	(7)
Auditor's remuneration	- audit work	57	57
	- non-regulatory audit services	4	4
Operating lease rentals	- land and buildings	1,430	1,288
Rents receivable		(206)	(119)

4. Interest receivable

	2014 £'000	2013 £'000
Bank interest	8	7
Other interest	1	1
	9	8

5. Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loan interest	708	1,448
Hire purchase contract and finance lease interest	38	48
Dividends on 8% redeemable preference shares of £1 each	652	600
Other interest	155	2
	1,553	2,098

Reconciliation of interest payable (including non-equity dividends)		
Interest paid	5,958	6,314
Movement in prepaid finance costs	(780)	568
Creditor movement	566	110
Movement in interest capitalised in the year	2,985	339
Total charged to the profit and loss account	8,729	7,331
Split as follows:		
Included in cost of sales	7,176	5,233
Included in interest payable and similar charges above	1,553	2,098
Total charged to the profit and loss account	8,729	7,331

Notes to the financial statements
at 31 July 2014

6. Staff costs

	2014 £'000	2013 £'000
Wages and salaries	9,927	8,146
Social security costs	1,116	954
Pension costs	913	837
	11,956	9,937

The average monthly number of employees during the year was as follows:

	2014 No.	2013 No.
Directors – company	7	7
Directors – subsidiaries	5	8
Office	102	87
Site	66	54
Conferences and serviced offices	12	19
Environmental consultancy	18	11
	210	186

7. Directors' emoluments

	2014 £'000	2013 £'000
Emoluments	1,451	1,334
Company contributions paid to money purchase pension schemes	120	121

The amount in respect of the highest paid director was as follows:

	2014 £'000	2013 £'000
Emoluments	423	438
Company contributions paid to money purchase pension schemes	34	52

	2014 No.	2013 No.
Members of money purchase pension schemes	5	4

Notes to the financial statements
at 31 July 2014

8. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 *£'000*	*2013* *£'000*
Current tax:		
UK corporation tax on profits of the period	2,068	1,167
Adjustments in respect of prior periods	(186)	(20)
Total current tax (note 8(b))	1,882	1,147
Deferred tax:		
Origination and reversal of timing differences	(437)	722
Changes in tax rates or laws	39	(11)
Adjustments in respect of prior periods	52	(6)
	(346)	705
Tax on profit on ordinary activities	1,536	1,852

(b) Factors affecting current tax charge
The tax assessed on the profit on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the UK of 22.33% (2013: 23.67%). The differences are reconciled below:

	2014 *£'000*	*2013* *£'000*
Profit on ordinary activities before tax	6,525	7,159
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.33% (2013: 23.67%)	1,457	1,695
Expenses not deductible for tax purposes	175	109
Accelerated capital allowances/origination and reversal of timing differences	(110)	(118)
Movement in short term timing differences	527	77
Utilisation of tax losses not previously utilised	(124)	(733)
Adjustment in respect of prior periods	(186)	(20)
Dividends not subject to tax	146	142
Effect of other tax rates/credits	(3)	(5)
Total current tax (note 8(a))	1,882	1,147

Notes to the financial statements
at 31 July 2014

8. Taxation on ordinary activities (continued)

(c) Deferred tax

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

	2014 *£'000*	*2013* *£'000*
Timing differences in respect of capitalised interest	(158)	(662)
Accelerated capital allowances	175	-
Tax losses	428	761
Deferred tax assets (Note 12)	445	99
Unprovided deferred taxation:		
Losses	378	360
Capital allowances	-	288
	378	648

The Group did not recognise deferred tax assets of £378,000 (2013: £648,000) in respect of losses on the basis that it is not considered likely that the tax benefits will be realised in the foreseeable future.

Provided deferred tax movements:

	£'000
At 1 August 2013	99
Deferred tax credited to the profit and loss account (note 8(a))	346
At 31 July 2014	445

(d) Factors affecting the future tax charge

HM Revenue and Customs are currently considering the corporation tax deductions arising from intra group convertible loan notes which were issued in 2006.

Losses carried forward for relief against future trading profits amount to £1,991,936 (2013: £3,154,378) at the balance sheet date.

The standard rate of UK corporation tax in the year changed from 23% to 21% from 1 April 2014 and will change to 20% from 1 April 2015. UK deferred tax is therefore recognised at the reduced rate of 20%. The impact of the rate change is to reduce the deferred tax asset provided at 31 July 2014 by £37,972 (2013: increase of £10,933).

Notes to the financial statements
at 31 July 2014

9. Tangible fixed assets

Group

	Leasehold improvements £'000	*Motor vehicles £'000*	*Plant and machinery £'000*	*Office equipment £'000*	*Total £'000*
Cost					
At 1 August 2013	967	3,241	3,429	2,262	9,899
Additions	248	1,220	446	210	2,124
Disposals	-	(637)	-	-	(637)
At 31 July 2014	1,215	3,824	3,875	2,472	11,386
Depreciation					
At 1 August 2013	844	1,463	2,846	1,888	7,041
Provided during the year	62	577	191	120	950
Disposals	-	(422)	-	-	(422)
At 31 July 2014	906	1,618	3,037	2,008	7,569
Net book value:					
At 31 July 2014	309	2,206	838	464	3,817
At 31 July 2013	123	1,778	583	374	2,858

The net value of motor vehicles includes £930,000 (2013: £980,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged on the assets during the year amounted to £247,000 (2013: £326,000).

The net value of plant and machinery includes £167,000 (2013: £49,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged on the assets during the year amounted to £5,800 (2013: £50,000).

The net value of office equipment includes £Nil (2013: £30,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged on the assets during the year amounted to £Nil (2013: £10,000).

10. Investments

Company

	Subsidiary undertakings £'000
Cost:	
At 31 July 2013 and 31 July 2014	5,089
Net book value:	
At 31 July 2013 and 31 July 2014	5,089

Notes to the financial statements
at 31 July 2014

10. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Weston Homes Plc	Ordinary Shares	100%	Property development
Weston Homes (41 Millharbour) Limited*	Ordinary Shares	100%	Property development
Weston Homes (31 Millharbour) Limited*	Ordinary Shares	100%	Property development
Weston Homes (City) Limited*	Ordinary Shares	100%	Property development
Weston Homes (Housing) Limited*	Ordinary Shares	100%	Property development
Weston Homes (Refurbishment) Limited*	Ordinary Shares	100%	Property development
Weston Homes (Ipswich) Limited*	Ordinary Shares	100%	Property development
Weston Homes (Battersea) Limited*	Ordinary Shares	100%	Property development
Weston Homes (Commercial) Limited*	Ordinary Shares	100%	Property development
Weston Homes (Basildon) Limited*	Ordinary Shares	100%	Property development
Stansted Environmental Services Limited	Ordinary Shares	100%	Environmental consultancy
Weston (Business Centres) Limited	Ordinary Shares	100%	Conferences and serviced offices

** held indirectly*

11. Stock

	2014	*2013*
	£'000	*£'000*
Stock of development land and buildings	88,782	89,336
Residual freeholds	4,201	5,295
Consumables	161	223
	93,144	94,854

Included in stock of development land and buildings are capitalised interest costs of £7,810,827 (2013: £10,795,725).

12. Debtors

	Group		*Company*	
	2014	*2013*	*2014*	*2013*
	£'000	*£'000*	*£'000*	*£'000*
Trade debtors	708	201	-	-
Amounts recoverable on long-term contracts	85	58	-	-
Amounts owed by group undertakings	-	-	7,283	9,328
Other debtors	1,056	917	-	-
Prepayments and accrued income	1,107	656	-	-
Deferred Tax (note 8(c))	445	99	-	-
	3,401	1,931	7,283	9,328

Included within other debtors is £479,282 (2013: £479,282) relating to amounts recoverable after more than one year.

Notes to the financial statements
at 31 July 2014

13. Creditors: amounts falling due within one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank loans (net of prepaid finance costs - note 14)	670	670	670	670
Net obligations under finance leases and hire purchase contracts	415	477	-	-
Trade creditors	716	2,371	-	-
Corporation tax	1,182	792	5	5
Other taxes and social security costs	422	341	-	-
Redeemable 8% preference shares of £1 each	500	500	-	-
Accruals and deferred income	7,129	5,923	419	586
Other creditors	9,068	2,750	1,293	1,458
	20,102	13,824	2,387	2,719

The bank loans are secured by guarantees and debentures over the Group's assets and fixed charges over current development sites.

Finance lease and hire purchase creditors are secured by a fixed charge over specific tangible fixed assets of the Group.

14. Creditors: amounts falling due after more than one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank loans (net of prepaid finance costs - see below)	48,013	65,043	1,358	2,029
Net obligations under finance leases and hire purchase contracts	370	265	-	-
Other creditors	500	500	-	-
Redeemable 8% preference shares of £1 each	8,025	7,525	625	625
	56,908	73,333	1,983	2,654

The bank loans are secured by guarantees and debentures over the Group's assets and fixed charges over current development sites.

During the year a Group company issued £500,000 (2013: £2,000,000) of new 8% redeemable preference shares (see note 19).

The above creditors are due between two and five years with the exception of the 8% redeemable preference shares. In the Group figures, £4,525,000 (2013: £4,025,000) is repayable between two and five years and £3,500,000 (2013: £3,500,000) after five years.

Notes to the financial statements
at 31 July 2014

14. Creditors: amounts falling due after more than one year (continued)

In the Company only figures £625,000 is repayable within five years and become redeemable by the Company on 21 March 2016. 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

In the Group figures total prepaid finance costs are £1,966,761 (2013: £1,186,556). Of this £29,859 (2013: £29,859) is netted off against bank loans due within one year (note 13) and £1,387,185 is netted off against bank loans falling due after more than one year as above (2013: £1,156,697). The balance of £549,717 (2013: £Nil) is included within prepayments.

In the Company only figures total prepaid finance costs are £71,335 (2013: £101,195) of which £29,859 (2013: £29,859) is netted off against bank loans due within one year (note 13) and £41,476 (2013: £71,336) is netted off against bank loans falling due after more than one year as above.

Finance lease and hire purchase creditors are secured by a fixed charge over specific tangible fixed assets of the Group.

Net obligations under finance leases and hire purchase contracts were:	*2014*	*2013*
	£'000	*£'000*
Within one year	415	477
Between one and two years	245	218
Between two and five years	125	47
	785	742

15. Allotted and issued share capital

	2014	*2013*
	£'000	*£'000*
Allotted, called up and fully paid		
24,500,942 (2013: 24,500,942) Ordinary shares of 1p each	245	245

Notes to the financial statements
at 31 July 2014

16. Reconciliation of shareholders' funds and movements in reserves

Group

	Share capital £'000	*Capital redemption reserve £'000*	*Profit and loss account £'000*	*Total share-holders' funds £'000*
At 1 August 2012	245	4,180	15,402	19,827
Profit for the year	-	-	5,307	5,307
Dividends on ordinary shares	-	-	(1,200)	(1,200)
At 1 August 2013	245	4,180	19,509	23,934
Profit for the year	-	-	4,989	4,989
Dividends on ordinary shares	-	-	(1,200)	(1,200)
At 31 July 2014	245	4,180	23,298	27,723

Company

	Share capital £'000	*Capital redemption reserve £'000*	*Merger reserve £'000*	*Profit and loss account £'000*	*Total share-holders' funds £'000*
At 1 August 2012	245	2,880	4,313	1,185	8,623
Profit for the year	-	-	-	1,621	1,621
Dividends on ordinary shares	-	-	-	(1,200)	(1,200)
At 1 August 2013	245	2,880	4,313	1,606	9,044
Profit for the year	-	-	-	158	158
Dividends on ordinary shares	-	-	-	(1,200)	(1,200)
At 31 July 2014	245	2,880	4,313	564	8,002

The profit for the financial year dealt with in the financial statements of the Weston Group Plc is £158,000 (2013: £1,621,000).

17. Leasing commitments

At the year end the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £'000	*Land and buildings 2013 £'000*
Leases which expire between two and five years	80	-
Leases which expire in over five years	1,264	1,440
	1,344	1,440

Notes to the financial statements
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18. Pension costs

The Group operates defined contribution pension schemes in respect of the Directors and employees. The assets of the schemes are held separately from those of the Company in an independently administered fund.

The pension cost for the year is disclosed in note 6 and there were no unpaid contributions at the year end (2013: £Nil).

19. Related party transactions

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

	2014 *£'000*	*2013* *£'000*
R P Weston	390	480
R G Taylor	-	765
S P Bickel	213	213

Also included in other creditors is £688,615 (2013: £Nil) owed to the estate of R G Taylor.

During the year, goods and services to the value of £840,893 (2013: £620,094), were acquired from R G Taylor Engineering Limited, a Company formerly controlled by R G Taylor, now controlled by his estate. These transactions were at normal price and on normal business terms.

Included in other creditors due after more than one year and other creditors within one year are loan balances of £500,000 (2013: £500,000) and £6,400,000 8% redeemable preference shares of £1 each (2013: £6,400,000) owed to Mrs A E Bickel, who is the mother of S P Bickel, a director of the Company. During the year £167,121 (2013: £Nil) was paid for the provision of the loan facility and £512,000 (2013: £490,813) in dividends on the 8% redeemable preference shares of £1 each. The dividends are shown under interest payable and similar charges.

Also included in other creditors due after more than one year are £1,500,000 8% redeemable preference shares of £1 each (2013: £1,000,000). Of these, £500,000 (2013: £500,000) are owed to S P Bickel and his wife L Bickel whilst the other £1,000,000 (2013: £500,000) are owed to S Hoenig, the sister of S P Bickel and her husband N Hoenig. Dividends of £40,000 (2013: £29,406) were paid during the year to S P Bickel and L Bickel and £50,219 (2013: £29,406) to S Hoenig and N Hoenig. The dividends are shown under interest payable and similar charges.

Included in other creditors due after more than one year in the Company only figures are 625,000 8% redeemable preference shares of £1 each to the Weston Homes Plc Pension Scheme. During the year dividends of £50,000 (2013: £50,000) were paid in respect of these. This is shown under interest payable and similar charges

A Group company also sold two motor vehicles to R P Weston, a director of the Company for £23,250 (2013: £Nil). These transactions took place at arms length price and on normal business terms. No amounts were outstanding at the year end in respect of these transactions.

Notes to the financial statements
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20. 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 its subsidiary undertakings. At 31 July 2014 the bank borrowings amounted to £50,100,000 (2013: £66,900,000)

The Company has given guarantees in respect of two operating leases entered into by a subsidiary undertaking of an annual amount of £1,264,000 (2013: £1,360,000).

21. Gross cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2014 *£'000*	*2013* *£'000*
Operating profit	8,069	9,249
Interest element of cost of sales	7,176	5,233
Depreciation and profit on sale of assets	940	798
(Decrease)/increase in stocks	(1,274)	32,399
Increase in debtors	(577)	(203)
Increase in creditors	5,410	233
Net cash inflow	19,744	47,709

(b) Analysis of changes in net debt

	Opening Balance £'000	*Cash flows £'000*	*Other changes £'000*	*Closing balance £'000*
Cash at bank and in hand	11,448	(7,077)	-	4,371
Debt due within one year	(1,200)	-	-	(1,200)
Debt due after one year	(74,225)	16,300	-	(57,925)
Finance leases	(742)	591	(634)	(785)
	(76,167)	16,891	(634)	(59,910)
Net debt	(64,719)	9,814	(634)	(55,539)

Notes to the financial statements
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22. Off-balance sheet arrangements

The Group enters into operating lease arrangements for the hire of land and buildings as these arrangements are a cost efficient way of obtaining the short-term benefits of the assets. The Group lease rental expense for the year is disclosed in note 3 and the annual Group commitments under these arrangements are disclosed in note 17. There are no other material off-balance sheet arrangements.

23. Derivatives

As required under its banking facilities the Group previously entered into £38m of hedging arrangements to help minimise its exposure to adverse fluctuations in the interest rate The maximum rate of interest payable under the arrangements is 2.56% and the minimum rate of interest payable is 0.97%. The actual amount of interest payable depends on the LIBOR rate on the quarterly reset dates. These arrangements are to remain in place until 31 July 2015.

On 31 July 2014 the 3 month LIBOR rate was 0.55963%. As this was below the floor rate of 0.97%, interest of £39,305 is due to be paid on 31 October 2014. The value of this instrument at 31 July 2014 was £85,028 (2013: £325,900).

24. Controlling party

In the opinion of the Directors the company is jointly controlled by R P Weston and the estate of R G Taylor.