Wates Group Limited

Annual Accounts and Reports 2021

Contents

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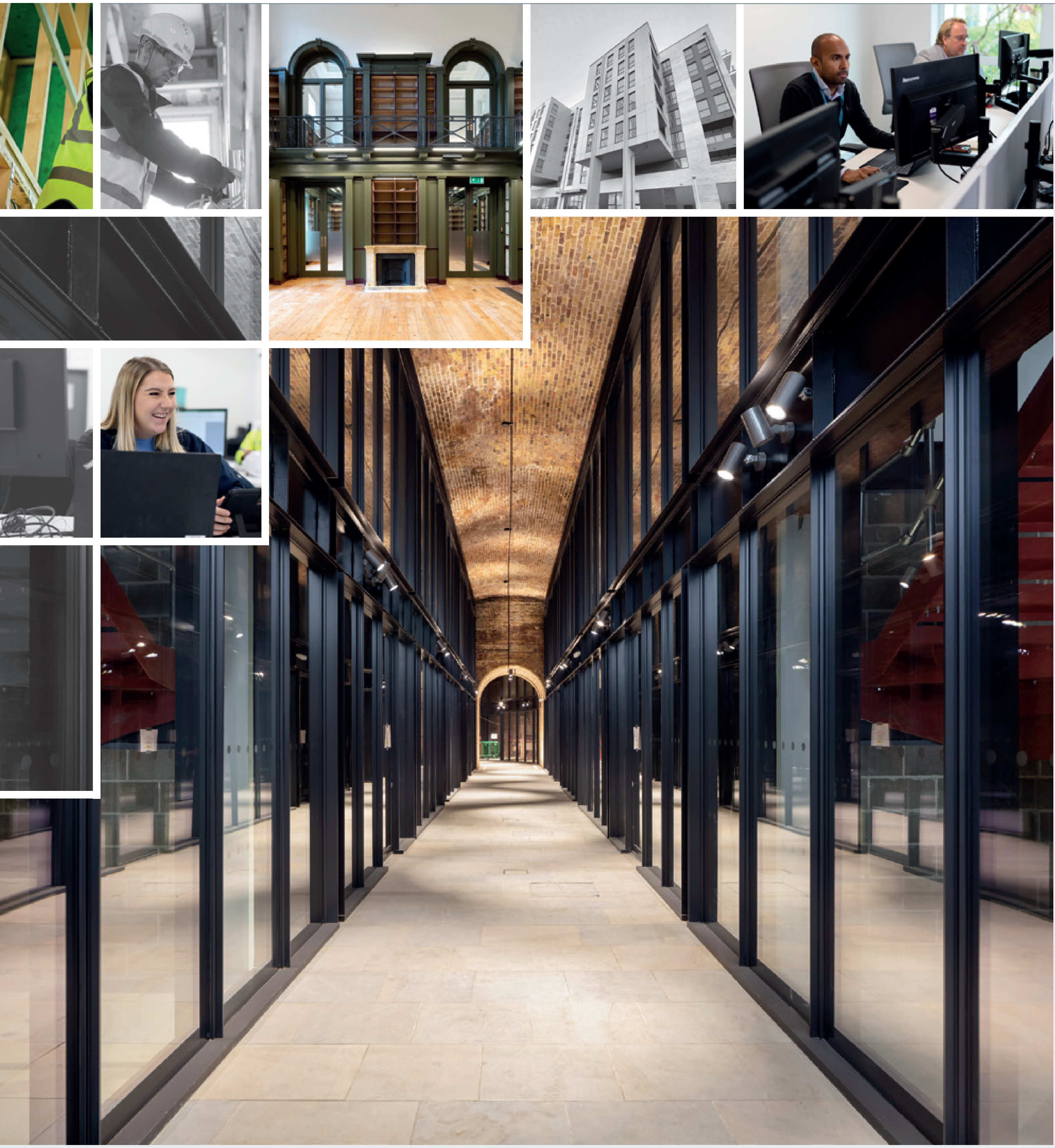
Chairman's Statement



Borough Yards, London

Although the pandemic has been a severe test for everybody, the company has demonstrated that having a strong strategy, prudent financial management and the best team in the sector meant we were well placed to weather the storm. I'm proud of the resilience our people demonstrated, many going above and beyond the call of duty and as we emerged from a very challenging 2020, the team delivered a profit of £37.4m in 2021.

Nobody in our sector could take success for granted in 2021. We saw a combination of lingering effects of Brexit and the pandemic, resulting in a tightening supply of materials and labour. But a firming up of our key markets in line with the broader economic recovery, combined with the government's commitment to 'Build Back Better' and a healthy investment in the pipeline for social infrastructure and housing, boosted both the sector and the Wates Group.

The government's introduction in late 2020 of *The Construction Playbook* also benefited the public sector market, serving to ensure that governmental customers and the supply chain are aligned in pursuit of best practice – ironing out inefficiencies, increasing the use of modern methods of construction and embedding low-carbon technologies – something we already do in the Wates Group.

Going forward into 2022, the 125th year of our company's existence, we have an ambitious strategy that includes demanding but achievable targets for growing turnover and profit as the economy continues to recover. Our productivity improvements involve parallel and mutually supporting efforts in safety, profitability, quality, diversity and inclusion and environmental sustainability.

Indeed, creating a healthy and safe environment wherever we work remains our number one priority. I'm pleased that we continue to have an exemplary health and safety record and we will seek improvements in this crucial area in 2022.

This includes continuing to spotlight mental health concerns. The pandemic created dynamics that made maintaining good mental health tougher than ever, in sectors in which we have long experienced challenges. But a change in mindset – bringing mental health issues out into the open – reflects that the sectors are moving in the right direction and we in Wates are devoting ever more resource to awareness raising and direct support for colleagues.

> "...creating a healthy and safe environment wherever we work remains our number one priority."

Our social responsibilities include the payment of taxes to the Exchequer, which we highlight in this year's report, as in the past. In 2021 the Wates Group paid a total of £233m in tax revenue, including £26m in employment-related taxes. On behalf of the Treasury, Wates Group collected a further £197m in VAT and employment taxes, reflecting one part of the substantial value that our business generates for the economy as a whole.

Outside of the Wates Group, in April 2021 I assumed the role of Chairman of the Institute for Family Business, reflecting my strong belief that family businesses are a powerful but under-appreciated part of the UK economy. Being family owned is important in the Wates Group, and I'm pleased that the first member of the fifth generation of Wates has joined the company, a significant milestone in a world where very few family businesses make it past the second generation.

The shareholders remain committed to family ownership and to handing over to the next generation a stronger, more sustainable enterprise. We believe that this long-term perspective, combined with a commitment to quality that is underscored by the recognition that our family name is attached to everything the company does, will continue to stand us in good stead with customers and partners.

In closing, I would like to thank our staff, the Executive Committee and the Board for their resilience and hard work.

Sir James Wates CBE
Chairman

Chief Executive's Review

My colleagues should all be extremely proud of the results presented in these Annual Accounts and Reports. In 2021, the Wates Group bounced back financially with a reinvigorated focus on our goals of becoming a more progressive, trusted and sustainable business.

The pandemic continued to have a significant impact on our lives, particularly during the first half of 2021. I am incredibly proud of the way our people responded to these difficult conditions, looking after each other and the interests of the customers and communities we have the privilege of serving. The team's achievements give me immense confidence that we can make the changes that will be required to make our business even safer, more profitable, more diverse and inclusive, more sustainable and even better at producing products and services of the very highest quality wherever we work.

I feel renewed confidence that we are making progress on our priorities: taking important practical steps to foster greater diversity and inclusion in our workforce and – through projects such as the new Passivhaus-standard homes we have created in Cardiff and the retrofitting of social housing in Brent – adopting new, more environmentally sustainable ways of working that point the way to our zero-carbon future.

Our relationships with customers and suppliers are stronger than ever as a result of the way we have collaborated successfully to address the challenges of the pandemic. We have maintained our industry-leading health and safety performance and all our major divisions have either met or exceeded their financial targets, enabling the business to deliver record operating profits of £40m and profits before tax of £37.4m. The business has emerged from the pandemic stronger and more resilient than ever, ending the year with net cash of £158.9m, net assets of £177.1m and with a record forward order book of £7.1bn.

We've demonstrated our resilience and proved that we can adapt to the most testing conditions. In this, the Wates Group's 125th year of operation, we are challenging ourselves to set the business up to succeed through its next 125 years.

Safety – our top priority now and always

Keeping everyone involved in what we do safe has always been and remains the Group's number one priority. We are committed to being a Zero Harm organisation where proactive attitudes towards improving safety and wellbeing are embedded across the organisation.

Our safety performance in 2021 was excellent (see pages 40-42 for more information), and this included a greater focus than ever on colleagues' health and wellbeing. The industry-leading Flexible Working Principles and Family Leave policies which we introduced in 2020 have already improved the lives of hundreds of colleagues and have made us a more attractive employer to a broader and more diverse range of people.

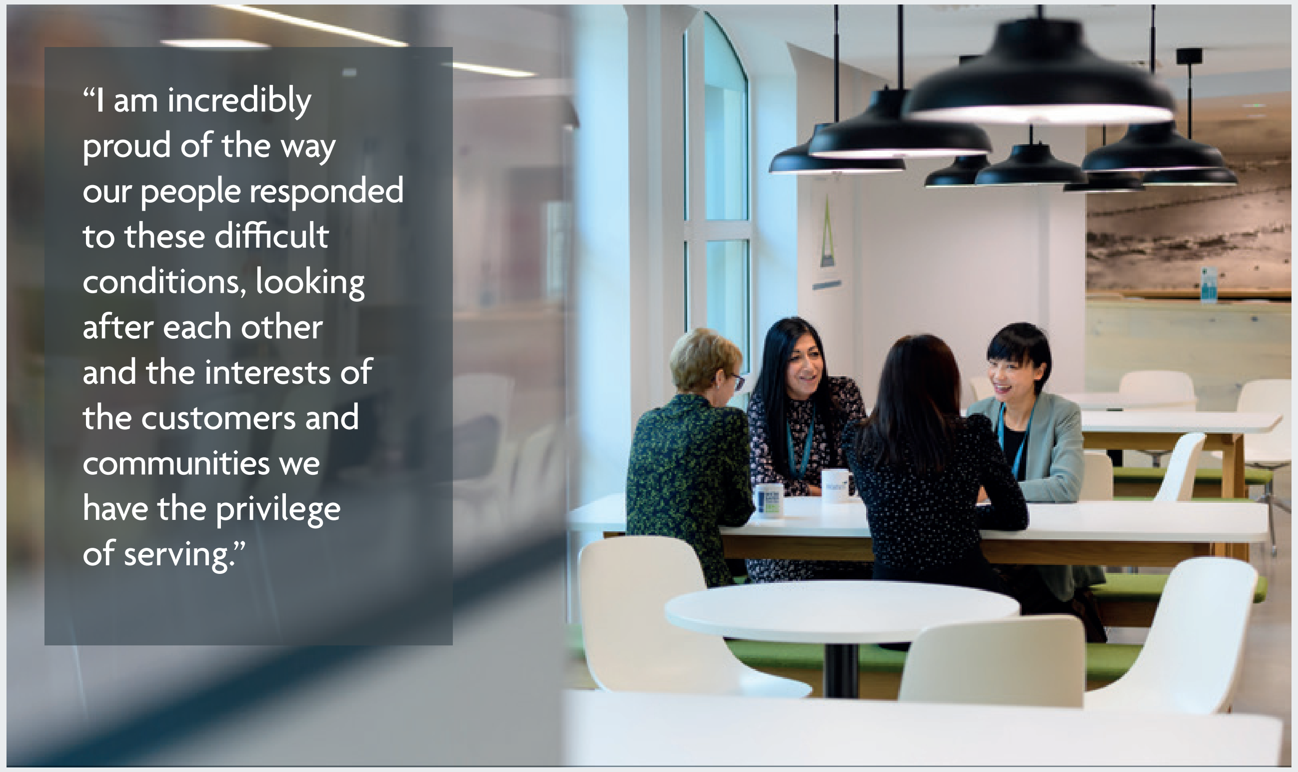
Protracted periods of working remotely as a result of COVID-19 restrictions, with some colleagues isolated for months from their teams, are conducive to neither health nor the highest levels of performance.

We want Wates to be a place to which people are happy and proud to belong. For everyone to feel they belong, some teams are going to need to spend more time together in person than has, at times, been possible over the last two years. So, more than ever in 2022, we are determined to make our offices places our people want to be and I have been encouraged by the wonderful, flexible refit of our head office in Leatherhead and the increasingly effective application of our Flexible Working Principles across the business.

Operating profitably

After the challenges of 2020, we were delighted to return to, and in many areas to push beyond, pre-pandemic levels of profitability. All our major divisions hit their budgets: a consistent performance borne out of shared commitment to our customers and our goals. Our operating margin rose from 0.3% in 2020 to 2.5% in 2021. We continued to allocate more capital to our Residential and Developments divisions.

None of this would have been achieved without our customers. We feel hugely privileged that so many of them are putting their trust in us to a greater extent than ever before. We won new work with an aggregate value of £2.3bn in 2021. This included projects of national significance, such as the gigafactory we will be building for Envision in Sunderland, which will produce batteries for electric cars manufactured by Nissan; the new archive for the British Library at Boston Spa in Yorkshire and a £700m strategic development partnership with the London Borough of Harrow to build 1,500 homes over the next 10 years.



Chief Executive's Review
continued

"I'm proud of the team's continuing efforts to deliver social value, something that has always been a feature of our business."

Sustainability and the challenge of Net Zero carbon

For a short time towards the end of 2021, the country focused in earnest on the challenge of climate change as COP26 was held in Glasgow. Although for many, COP26 failed in its ambition, it succeeded in inspiring many organisations to commit to affirmative action. Our own commitment to environmental sustainability is enshrined in our commitments to generate zero carbon and zero waste from our operations by 2025 and to be a net nature-positive organisation.

Pandemic-related restrictions and our associated focus on keeping everyone in the business safe and healthy slowed but did not stop progress in this area in 2021. The arrival in November of Bekir Andrews as our new Group Environmental Sustainability Director strengthened the team greatly. Bekir will oversee an expanded Group environment team and will be supported by environmental sustainability experts across all our businesses, as we seek to accelerate our progress towards our 2025 targets.

Whilst our current focus is on achieving our 2025 targets, we recognise that fixing Scope 1 and 2 emissions will not be enough. The business is becoming increasingly adept at identifying, measuring and reducing embodied carbon in the buildings we create and maintain. More details about our progress against these targets can be found at page 54.

I am particularly excited by the progress that has been made in Wates Integrated Construction Services, with its focus on design, offsite manufacturing and in-house delivery. Our award-winning Wates Innovation Network portal – part of Wates Sustainable Technology Services – continues to provide a marketplace for sustainable technologies that help our customers achieve their own sustainability goals.

Quality

The Grenfell Tower tragedy cast a harsh light on an industry in which some participants had become accustomed to cutting corners and ill-conceived value engineering had become commonplace. It is appalling that thousands of leaseholders across the UK remain trapped in unsafe homes. In May 2021, Wates became one of the first companies to begin the process of becoming a Building a Safer Future (BSF) Charter Champion, helping to lead the systemic culture change required to ensure that everyone in the sector is always committed to building safety. We are totally committed to putting building safety ahead of all other building priorities and at the heart of everything we do. We have chosen to act before we are compelled so to do by the Building Safety Act and continue to monitor the ways in which quality is measured, reported and analysed to enable us to generate insight into areas of potential improvement.

Fostering an environment which is inclusive and diverse

The pandemic has made it tougher to enhance the diversity of our workforce. The imperceptible improvement in our gender, ethnicity and LGBTQ+ representation is hard to reconcile with the enormous efforts that have been made over the past two years. Our competitors are experiencing the same challenges and there is growing recognition that to accelerate change, we need to collaborate at an industry level.

Our Diversity and Inclusion Director, Nikunj Upadhyay, has led a programme of activities which have galvanised our people to challenge their prejudices, overcome unconscious bias and educate themselves.

The work on becoming actively anti-racist has been particularly important. Our zero-tolerance approach to racism is supported by clear policies, regular training and open dialogue. We launched an iLead inclusive leadership training programme for managers and leaders. Our recruitment processes have been updated with a requirement for anonymised CVs, balanced candidate pools and inclusive job descriptions. The launch in 2020 of our Family Leave policies represented a first for an industry which has tended to cling to outdated working practices that other sectors abandoned years ago. In adapting to the pandemic, and specifically in adopting home working when the first lockdown was put in place, we made a decade's worth of progress on flexible working in a matter of weeks. To help us hold onto these gains, we implemented a set of Group-wide Flexible Working Principles in June 2021.

Pride and excitement

We launched our 125th anniversary with the phrase: *Looking back with pride and forward with excitement*. The performance that is summarised in this set of reports and accounts elicits pride and excitement in equal measure.

We returned to pre-pandemic operational and financial levels of performance in 2021. Customer confidence returned, particularly in property services, where our Smartspace and FM (Facilities Management) businesses enjoyed record success. Our Residential business continued to grow at pace, securing and maintaining multi-year partnerships with local authorities such as Harrow, Havering, Barking & Dagenham and Cardiff, and creating thousands of much-needed new homes and thriving communities.

We strengthened our relationships with government customers. We secured places on major frameworks for the Department for Education (DfE), continuing our 60-year record of building the country's schools, including the first school to be zero carbon in operation. We are also joining the Ministry of Justice's Alliance for New Prisons, which will see our Construction business build a 1,600-place prison in Leicestershire. We kept on programme to complete Sandwell Aquatics Centre, one of the country's finest new sports facilities, which in July 2022 will be the focus of top-class international competition. Our Developments business enjoyed a 100% hit rate on planning applications and completed several valuable land deals. And, building on the work we did in 2020 to support the national effort to tackle COVID-19, we refocused on the healthcare sector, where we hope to emulate the success we have enjoyed for so long in education.

I'm proud of the team's continuing efforts to deliver social value, something that has always been a feature of our business. In 2021 we spent £6.8m with social enterprises (SE), bringing our total spend with the SE sector to £27.6m over the last five years.

The award of Investors in People Gold status for the fourth successive time demonstrated our commitment to being a place where all colleagues can thrive. It was reassuring that we were able to maintain high levels of employee engagement, despite the many challenges of the year.

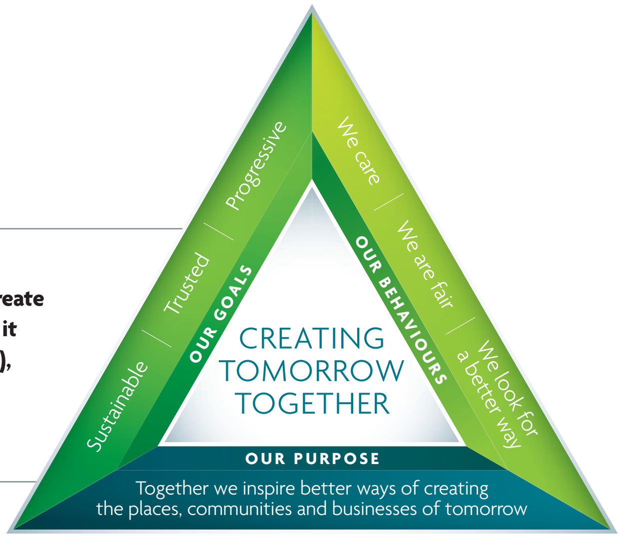
Below: Sandwell Aquatics Centre

While there are concerns about the impact of inflation and competition for products, materials and talent, the Group's key markets, such as the housing sector, continue to offer lots of opportunities for profitable growth. The business' financial resilience, our hard-won reputation for fairness, our shared commitment to clear strategic goals and the long-term support of the Wates family, all mean we can look forward to lasting success in the future with an unprecedented and inspiring sense of optimism.

J. O. Allen

David Allen
Chief Executive

Strategy



The Wates Group was founded 125 years ago with the ambition to create better homes and communities. That ambition is as relevant now as it was in 1897 and is today articulated in the Guiding Framework (right), which defines Wates' purpose: *together we inspire better ways of creating the places, communities and businesses of tomorrow*.

As well as this motivating purpose, the Guiding Framework defines the wider goals the Group is working to achieve and the behaviours it expects of its people. It builds on the ethos that has shaped Wates since 1897 and summarises the changes necessary for the Group to evolve and flourish in the future. As Wates works to make the business more sustainable, trusted and progressive, the expectation is that in everything Wates does, it will demonstrate its behaviours of 'we care', 'we are fair' and 'we look for a better way'. These goals and behaviours underpin everything Wates hopes to achieve.

The five key performance priorities through which the Group's goals will be achieved are summarised in a Performance Wheel. The five priorities are: safety; sustainability; diversity and inclusion; quality; and profitability. Each priority has defined targets against which Wates measures performance. The five priorities are linked and inter-dependent.

By becoming more inclusive and diverse, the Group is likely to be better able to set new standards for the sector on safety, quality and environmental sustainability. In doing so, profits will increase, funding the investment in people, technology and data needed to drive further performance gains.

Performance Wheel

KEY PERFORMANCE PRIORITIES

SAFE

Wates intends to eliminate physical and psychological harm from all its workplaces. To do this, it will continue to implement its Zero Harm: Safer Together strategy, which has already delivered industry-leading results. It will also continue to make safety the very first topic of discussion in formal meetings on projects and the first topic reported on when discussing performance, including with the Board. Wates will continue to link variable pay structures to improvements in safety performance.

PROFITABLE

Wates is committed to progressive earnings growth and to partnering with customers to deliver products and services that offer exceptional value for money. The Group is investing significantly in its Wates Developments and Wates Residential divisions, in its digital transformation programme and in identifying opportunities to grow new service lines that meet the evolving needs of its customers.

QUALITY

Wates remains committed to eliminating the practical and economic impacts of any quality failures from the business, while also achieving full compliance with all the relevant regulatory and legislative standards. This drive will also involve the Group's partners, and so supply chains will be simplified to focus spend more on businesses that share the company's aspirations, values and standards.

The amendments to building regulations, combined with the Building Safety Bill which are due to become law in 2022, demand that the business remains nimble and adaptable. Wates' commitment to this agenda was evidenced in 2021 when it became one of the first companies to begin the process of becoming a Charter Champion company, launched by the BSF Charter.

DIVERSE AND INCLUSIVE

Wates' ambition is to become a measurably more diverse business and to be recognised as a truly inclusive and diverse employer. Its gender pay gap expresses an imbalance that the business will work to fix in 2022 and beyond. A more inclusive culture will be achieved by establishing clear and non-negotiable expectations about colleagues' behaviour and language. Wates will invest in recruitment expertise to bring new people into the business from outside the sector and provide them with training that will allow them to flourish. Leaders and managers will be measured on how effectively they lead the change and on the extent to which they treat everyone fairly.

SUSTAINABLE

Sustainability is at the heart of Wates' operations. The Group is working to eliminate Scope 1 and 2 carbon and waste from its business operations and become 'net nature positive'. To do so will require a focus on the operational changes required to meet this target and the adoption of new, innovative products and processes. The Group is also collaborating with customers and suppliers to achieve Scope 3 reductions in response to rapidly developing market and customer demands.

People

The Wates team performed exceptionally well in 2021, responding positively, enthusiastically and effectively to an evolving set of challenges.

"I'm immensely proud of my colleagues at Wates who have all continued to adapt brilliantly to the challenges brought about by COVID-19 and Brexit. The Group remains committed to our long-term goal of becoming more inclusive and diverse, and a place where everyone can thrive."

Paul Rowan, Group Human Resources Director

The Group is committed to having a positive impact on the wellbeing of its people, to creating an inclusive and diverse culture and ensuring that everyone can thrive irrespective of their background. The challenges of the pandemic, the Brexit transition and the subsequent material and skills shortages and cost inflation that have impacted the whole built-environment sector, have reinforced the importance of these commitments.

Diversity and inclusion

Wates remains committed to becoming a truly inclusive and diverse organisation. The business took a series of important steps during 2021, including increasing levels of awareness and education amongst all employee groups and making positive changes to the way colleagues are recruited and supported.

In March 2021, the Group launched its Anti-Bullying and Harassment policy, formalising its zero-tolerance approach to inappropriate behaviour. The policy signposts escalation routes for colleagues who experience bullying or harassment, including an independent, confidential third-party reporting line.

Also, in 2021, Wates launched a Reverse Mentoring programme, pairing white leaders with colleagues from under-represented ethnicities (Black, Asian, mixed ethnicities and other ethnic groups) to support a deeper understanding of how race shapes individuals' lived experience. Members of the Group's Executive Committee have taken part in this programme. Wates also celebrated its second annual Inclusion Month in October 2021, with more than 1,100 employees taking part in webinars and events during the month. 355 members of the Group's management and leadership team have now attended Wates' iLead inclusive leadership programme.

In June, the Group launched its Flexible Working Principles. The principles have inclusion at their heart and aim to rethink where, when and how work can be done, in a way that maintains or improves delivery for customers, while also improving the lives and careers of employees. Wates is using the six guiding principles to review all roles on an 'if not, why not?' basis. There was also good adoption of the Construction Group's One Simple Thing initiative, which encourages colleagues to think about small changes they can implement in their weekly working practices to enhance their wellbeing.

There has been an encouraging take-up of Wates' industry-leading Family Leave policies, which were introduced in 2020 and which have been used already by more than 200 employees.

To become more diverse, Wates is committed to recruiting in a truly inclusive way. A pilot in Wates Construction in 2021 trialled a series of changes to debias recruitment processes and to make them more inclusive, including the use of anonymised CVs. The principles of this pilot are being applied across the Group.

Learning and development

Each year, Wates invests more than £1m in helping colleagues fulfil their potential through learning and development programmes.

In 2020, Wates introduced virtual learning, which in 2021 enabled the adoption of a more flexible, hybrid approach to delivering learning and allowed the whole Group to maintain its provision of courses, despite the challenges of lockdowns and remote working. As part of this hybrid offer, the Group launched iLearn, a suite of accessible online, bite-size courses covering leadership, people management skills and personal development. 398 people have accessed nearly 2,000 different learning resources, including videos, e-learning and self-assessments, since they were launched in October 2020. Overall, 6,400 training days and 19,700 e-learning events were delivered across the Group in 2021.

Talent and recruitment

Wates is committed to developing a pipeline of talent through its apprentice and trainee programmes. In 2021, 70 new trainees joined the business, including those who deferred their 2020 places. Of these, 30 are women and 23 come from an ethnic minority group. The business has targeted a record trainee intake of 95 in 2022.

Wates is forecasting to exceed the commitment to have 5% of its workforce in 'earn and learn' positions, such as apprenticeships and graduate traineeships. This commitment was made as part of its membership of the 5% Club – an alliance of companies aiming to bring more young people into the workforce.

More widely, recruitment was incredibly challenging in 2021, with the industry's recovery from the pandemic and the end of the Brexit transition period creating an unprecedentedly competitive labour market.

With turnover forecast to continue growing quickly, Wates' internal recruitment team has routinely dealt with record numbers of vacancies and the team's ability to manage this situation and retain its focus on Wates' partners and customers has been extraordinary.

For more info on Wates Construction go to **wates.co.uk/construction**

Wates Construction Group

Wates Construction Group (WCG) comprises two operating businesses, Wates Construction and Wates Integrated Construction Services (WICS).

Wates Construction operates across the UK, working with a wide range of partners in both the public and private sectors.

WICS comprises several specialist businesses, including SES Engineering Services (SES), offsite manufacturing specialist Prism, Wates Building Services (WBS) and Wates Drylining Services (WDS).

WICS spearheads the Group's effort to increase the proportion of its projects that are self-delivered and connects all WCG's delivery capabilities to provide customers with market-leading services.

In 2021 WCG employed 1,524 people, generating turnover of £772m.

1,524
Employees

Turnover
£771.9m

93
Sites under construction

Average site efficiency
86%

Retained customers
84%

13
Health and Safety performance (RIDDOR, LTI & HIPO)*

£2.5m
Spent with social enterprises

50
New contracts secured

0.97
Riddor Accident Frequency Rate (AFR)

8.9m
Hours worked (construction sites)

1,596
New homes under construction

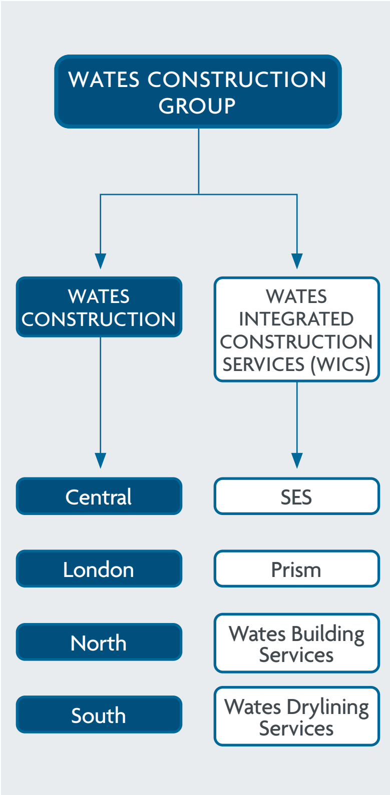
Projects completed
33

* RIDDOR - reporting of injuries, diseases and dangerous occurrences regulations | LTI - lost time injury | HIPO - high-potential incident


Co-op Live Arena, under construction in Manchester

Restructuring for the future

The year saw a major restructure of the Construction Group to enable it to take advantage of opportunities in new geographies and sectors. Four regional businesses were created within Wates Construction: Central, London, North and South, each led by a regional managing director. The new structure reflects Wates Construction's commitment to expand its national footprint while continuing to support customers in their local markets (see diagram left) and enables experts in every region of the country to provide local support, backed up by the scale and capability of a national business.



WICS aligned its businesses to this new regional structure. WBS and SES will transition to a North and South structure to align geographically with Wates Construction and SES's external customer base, while WDS and Prism will continue operating nationally.

Technical Excellence Centre (TEC)

In November 2021, WICS launched TEC – a virtual platform connecting capabilities and expertise across WCG. TEC aims to accelerate and enhance carbon and waste reduction and asset performance by acting as a catalyst for the adoption of new technologies (such as augmented reality) which, amongst other things, will help the business create smarter buildings for its customers.

"We have set ourselves some challenging targets for the next five years, but I believe that to be the best we have to aim high. When I look at how we perform across the whole of the Construction Group, I have no doubt we will rise to the challenges we have set, together.

None of this, however, can be achieved unless we look after each other and the wellbeing of everyone involved in what we do. I am very aware of the physical and mental toll the last couple of years have had on us all but believe that our commitment to look for better ways to do what we do will help us achieve a better work–life balance in the future."

Paul Chandler,
Executive Managing Director,
Wates Construction Group

Right:
Project Brunel

WATES CONSTRUCTION

Wates Construction is a partner on over 60% of the UK's leading central and local government frameworks. Work delivered through these frameworks, including the Crown Commercial Services; the Department for Education (DfE); Homes England; the Ministry of Justice (MoJ) and the Ministry of Defence (MoD), makes up 60% of Wates Construction's turnover.

As Wates Construction saw activity begin to recover in the wake of the pandemic, it restructured and is now aiming to bring about a 'productivity revolution' by working smarter, more safely and more sustainably, while attracting and, by becoming even more inclusive, retaining a diverse and talented workforce.

A people-based revolution

The productivity revolution will see the business harness the power of digitisation and technology, using offsite manufacturing techniques and data to drive performance. But there is also a revolution taking place to ensure the business' most important resource of all – its people – feel included as part of a diverse and nurturing team.

Wates Construction is proud of its record in recruiting and retaining talented colleagues from a diverse range of backgrounds and is pushing to become more diverse and inclusive. A more diverse workforce will enable the business to achieve its other ambitious goals, which include staying safe; winning a place on 90% of public sector frameworks; increasing annual spend with social enterprises to 0.5% of turnover; boosting its Net Promoter Score to 70; and achieving the Wates Group's Net Zero carbon and waste and net nature-positive targets.

"There are, without doubt, many opportunities for us to grow over the next few years, and we have the skills and expertise within our company to make the most of them."

Mark Tant,
Managing Director,
Wates Construction

CASE STUDY

Royal College of Surgeons of England

In 2021, Wates Construction completed its work on the £80m renovation of the Royal College of Surgeons of England's new London headquarters.

The complex job saw the team bring a culturally significant building into the 21st Century without losing its unique character. High-tech and environmentally sustainable construction techniques were deployed on this project.

These included prefabricated plant rooms manufactured offsite at Wates' Prism facility, which could be directly installed.

Other innovations included the use of precast concrete frames, also created offsite. These techniques all contributed to the successful delivery of new, flexible teaching spaces, examination rooms, function rooms and a large glazed central atrium for the college, while retaining its historic Sir Charles Barry-designed Grade II listed frontage.

A 200-year-old library was restored, with the Wates team re-using existing fireplaces and wall panelling after refurbishing them offsite.

The project gave a boost to local communities, with 56 local people brought in through employment and training initiatives. Nearly £850k of economic, environmental and social value was created, while £112k was spent with social enterprises and a further £116k was donated to local charities or other community causes.

"Wates has done a fantastic job redeveloping our ageing building into a bright and modern space, while also maintaining our much-loved historical features. We are very pleased with the outcome and can't wait to unveil the building to the wider surgical community and the public."

Jackie Weller,
Deputy Chief Executive,
the Royal College of Surgeons of England

Environmentally sustainable construction techniques deployed:

- Plant room manufactured offsite by Prism – a room housing building services plant and machinery that was directly installed into the project, reducing waste and the time taken to install services
- Precast concrete frame created offsite
- PV installations on roof – providing renewable energy to run the building
- Prefabricated metal staircase in the atrium – reducing materials and associated waste
- Re-using existing timber flooring in the library – reducing materials while also preserving aspects of the building's heritage.

CASE STUDY

Sandwell Aquatics Centre

Wates' work on the Sandwell Aquatics Centre in Birmingham is a testament to the team's planning capabilities and adaptability. Despite the challenges of the pandemic, the building's form and scale started to take shape in spring 2021, with the project due for completion in time for its inaugural international competition event in the summer of 2022.

The state-of-the-art facility, which includes an Olympic-sized swimming pool, 25m diving pool, seating for 1,000 spectators as well as a 20m community swimming pool, is not only a world-class sporting venue but will create a legacy of community wellbeing.

Planning for the project began before the first national lockdown in March 2020. During the early phases of the project, the team had to cope with the challenges of lockdowns and social distancing. In 2021 the construction team passed a number of key milestones, such as completing the steelwork and positioning the dive towers. In June the team began the task of laying the 12,000m² of ceramic tiles required to line the pools – equivalent to the size of London's Trafalgar Square.

The project has demonstrated Wates' commitment to community engagement, with the business providing materials and labour to develop a community allotment for a local community centre in Smethwick.

Sandwell Council commented on Wates' "hard work and the measures taken to maintain the operation of the site and to progress the project during these unprecedented times".

"Your considered approach to keep the project moving forward while at the same time demonstrating Wates as a socially responsible construction contractor, is appreciated by the Council."

CASE STUDY

Lucent W1

This prestigious £105m project is transforming empty space behind the lights at Piccadilly Circus in central London into a seven-storey mixed-use development featuring workspaces, offices, shops, restaurants and apartments.

Sustainability and heritage are at the very heart of the Lucent project, with a mature living tree positioned in the central atrium and the famous Piccadilly Lights kept operational throughout the build.

The team and designers have embraced the latest innovative thinking on how light and natural elements can support productivity and wellbeing, with light-flooded floors flanked by green terraces featuring more than 600 plants.

This dedication to environmental sustainability can be seen throughout the construction of the building. A green hoarding of plants embedded in a mounted irrigation system has been in place throughout the project. Meanwhile, the team has been meeting Wates' targets of waste diverted from landfill: 100% for non-hazardous construction waste; 98% for non-hazardous demolition; and 98% for non-hazardous excavation.

The development is set to be awarded a BREEAM commercial space rating of 'excellent' and is also aiming for Gold-level WELL accreditation.

CASE STUDY

Life and Mind Building, Oxford University

Scheduled for completion in 2024, Wates Construction began enabling works on the new Life and Mind Building for Oxford University in November 2021. The five-storey research and teaching building is the largest project the university has ever undertaken and will improve the way that psychological and biological sciences are practised.

The building will house the Department of Experimental Psychology and a new Department of Biology.

The project will include elements constructed offsite, including precast columns, external façades, and many mechanical, engineering and plumbing (MEP) elements, such as an external plant room. Taken together these measures will reduce on-site working by around 50,000 hours. The MEP parts of the project will be delivered by Prism and SES.

The project also embraces Wates' commitment to nurturing talent, with 5% of the total workforce to be at trainee or apprentice level, with the aim of creating five full-time equivalent jobs in the construction team.

In terms of social value, a quarter of the materials will be sourced within 100 miles of Oxford.

CASE STUDY

Net Zero-carbon schools

2021 saw the beginning of work on the first batch of Net Zero schools for the DfE as part of Wates' involvement in the Schools Rebuilding Programme. Located in the North of England, the six schools are being built using modern methods of construction (MMC). Once complete, they will be Net Zero in operation. The schools are the first to be built under the DfE's MMC Framework, on which Wates Construction secured its place in January 2020.

The first three schools: Lytham St Anne's High School, Littleborough Community Primary School and Nursery and Whitworth Community High School in Rochdale, are being built using Wates' Adapt 3.0 solution, a component-based school kit which offers a more sustainable method of construction, ensuring less waste and higher finished quality.

WATES INTEGRATED CONSTRUCTION SERVICES (WICS)

Wates Integrated Construction Services (WICS) has been established to help drive Wates' productivity revolution, adopt modern methods of construction (MMC) and explore innovative technologies, so the business can deliver better and more sustainable projects for customers.

Over time, WCG will assess opportunities to integrate more new specialist businesses into WICS to increase the proportion of our projects that are delivered in-house.

"The past year has shown that agility and innovation are critical to our future success. These qualities are embedded in the companies that form WICS."

Rob Clifford, Managing Director, Wates Integrated Construction Services

Wates Building Services

Wates Building Services (WBS) is a market-leading, in-house mechanical and electrical (M&E) services provider. WBS enables Wates to reduce risk by adopting an integrated approach across its supply chain. WBS procures and manages the delivery of the building services from the outset to handover and beyond. Wates' customers benefit from the one-team approach, extensive Tier 1 experience and early technical input.

2021 saw the self-delivery and successful completion of M&E services to Wates Construction projects across all regions including the refurbishment of Derby Gate within the Parliamentary estate, the Royal College of Surgeons and schools across the Thames Valley. Technical expertise provided by WBS through the 'Smart Building' strategy has been instrumental in securing the mixed-use Canada Water project with British Land.

Wates Drylining Services

Wates Drylining Services (WDS) is a specialist division of WCG that delivers in-house drylining services throughout the UK. As WDS continues to grow, it will maintain a clear focus on operational integration, working hand-in-hand with Wates Construction and WBS to design, procure and deliver quality and cost-effective solutions for customers.

Working in conjunction with the construction and building services teams, WDS has delivered specialist ceilings and partitioning at the Royal College of Surgeons, in new schools across the Thames Valley and at the Signature Retirement Village in Barnet. There are significant inter-dependencies between building services, ceilings and partitioning. Self-delivery of these services improves integration, de-risking construction programmes and contributing to Wates' creation of buildings of the highest quality, safely and in an environmentally sustainable manner.

Prism

Prism is Wates' offsite manufacturing facility. It operates from a 6,000m^2 factory in Coventry. Prism is crucial to the Group's adoption of offsite manufacturing, its commitment to engineering excellence, its push to increase efficiency and lower carbon emissions and its ambition to revolutionise productivity. The company is expanding its range of standardised products and is successfully lowering operational waste and emissions.

Wates has invested heavily in Prism, adding an immersive customer experience and marketing suite, agile collaborative working environments and a 360-degree workspace, allowing staff to engage and collaborate with customers and with colleagues from across the Group.

SES

SES Engineering Services (SES) is a design-led mechanical and electrical engineering (M&E) provider, delivering bespoke solutions for a wide range of projects across the construction industry. Using Prism, SES provides customers with an innovative alternative to labour-intensive and time-consuming on-site production.

A shift of focus in private and public sector investment is underway. To address Net Zero targets, spend is being re-allocated to sectors such as battery manufacturing and storage, and hydrogen and solar power generation. SES has the expertise and track record to support customers in tackling these new priorities as well as to continue delivering projects in traditional sectors, such as education and commercial offices.

A key highlight of 2021 was the appointment of SES by the Construction Leadership Council as a Net Zero Carbon Business Champion. Other successes include its work on the Viking link converter station in Lincolnshire, which will bring carbon-reduced electricity from Denmark into the UK.

There were also significant new project wins during the year, including one of the largest sub-contractor packages on the Co-op Live Arena project in Manchester, which will be one of the largest and most sustainable entertainment venues in Europe. Among other high-profile projects, SES is also working on the Sandwell Aquatics Centre in Birmingham.

Overall, SES won more than £300m of new work in 2021, while turnover for the year was £123.3m.

Safety is always paramount for SES and the business was proud to be presented with the British Safety Council's International Safety Award for the 25th consecutive year, achieving a merit for protecting its employees from the risk of injury and ill health at work.

SES is committed to making its team even stronger and more diverse. The business has improved its key working environments, has embraced flexible working practices and is determined to make its culture as inclusive as possible.

CASE STUDY

Lostock Sustainable Energy Plant, Greater Manchester

In 2021 SES completed its role on this major infrastructure project, providing renewable electricity to 125,000 homes.

The Lostock Sustainable Energy Plant (LSEP) at TATA Chemicals Europe will recover energy safely and cleanly by diverting 600,000 tonnes of residual waste from landfill. The facility's ability to produce power constantly makes it a more reliable energy source than wind or solar power.

SES provided a full enabling package on the project, including installation of pipework services, HV and LV (high voltage and low voltage) equipment, transformers and reactors. Early engagement following a direct appointment by main contractor CNIM and P.J. Carey allowed SES to develop a first-of-its-kind offsite solution.

This innovative approach resulted in a significant proportion of the project being fabricated offsite at the Group's Prism facility. SES subsequently won the Best Use of MEP & Pod Technology award at the 2021 Offsite Awards.

"Since its appointment as MEP contractor in May 2020, SES has adopted a positive, engaging and collaborative approach to the project delivery. While recognising that we both had to manage multiple third-party considerations, the SES team worked collectively to proactively embrace the challenge and, along with the project team, did so in a friendly and engaging manner. This collective alignment to business values and ethics certainly allows both businesses to promote future opportunities together actively, where we can jointly demonstrate that our commitment to support each other as partners of choice is clearly built on trust, integrity and a desire to provide excellent client service."

Phil Eastment, Pre-construction Director, Careys

Wates Property Services

Across its three specialist business units, Wates Property Services delivers planned and responsive housing repairs alongside zero-carbon and life safety retrofitting services for public sector landlords and housing associations, as well as the fit-out, refurbishment and management of commercial properties.

1,619 Employees

Turnover **£475.9m**

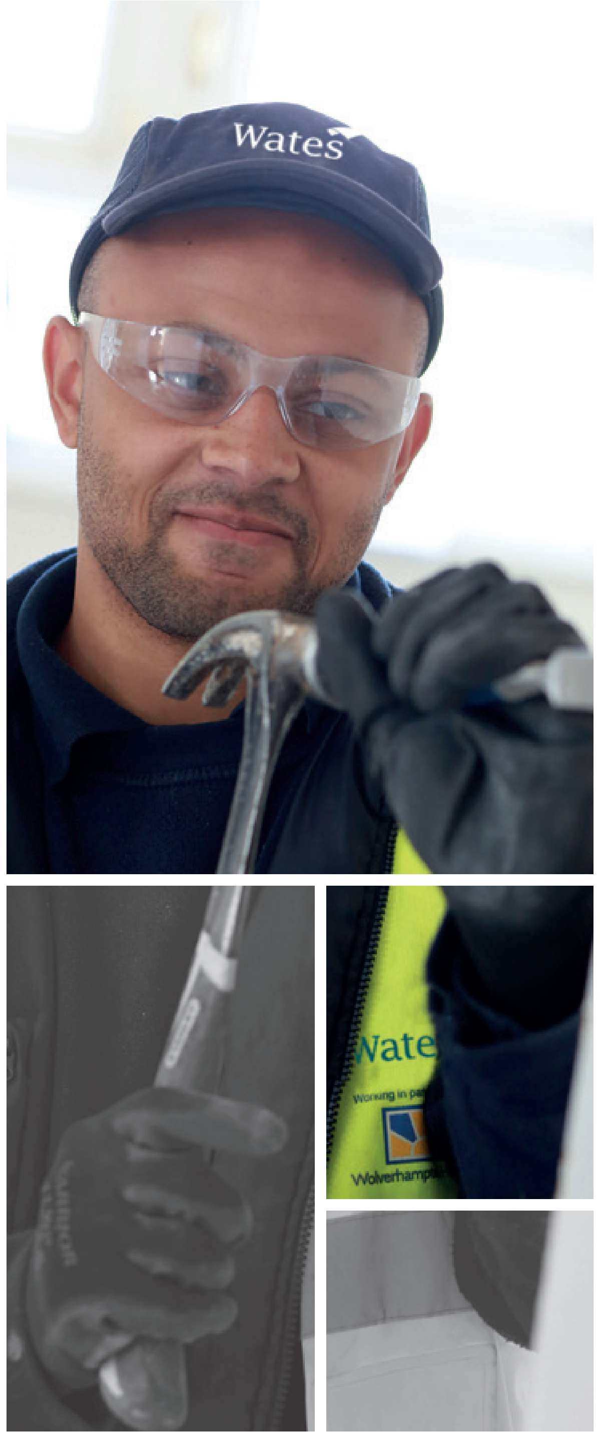
7 Health and Safety performance (RIDDOR, LTI & HIPO)

500,000 Maintained homes

£3.6m Spent with social enterprises

0.06 Riddor AFR

325 Facilities managed in commercial buildings



Wates' Leatherhead HQ, refurbished by Smartspace in 2021

The businesses – Wates Living Space, Wates FM and Wates Smartspace – employ more than 1,600 people and have a combined turnover of £476m.

WPS' focus in 2021 was on its strategic priorities of:

- Becoming a leader in the decarbonisation of domestic properties
- Securing more public contracts for Wates FM and Wates Smartspace
- Building on Wates' reputation as a leader in fire safety
- Working with local authorities and housing associations on improving high-rise building sprinkler systems
- Growing social value in the communities in which the business operates.

Given these priorities, an operational highlight for the year was the winning of £20m of decarbonisation work, building on Wates Living Space's partnership with energy services company Energy Specifics.

Priorities for the year ahead include continuing to work with new and existing customers in moving towards a zero-carbon future by increasing the number of retrofit assessments carried out in residential properties and creating opportunities for commercial customers to improve the energy efficiency of their properties.

Longer term, WPS' goal by 2025 is to be a more sustainable, trusted and progressive business that generates cash-backed profits of at least £14m annually and an order book above £1.75bn.

"I am extremely proud of how our teams continued to provide the excellent levels of service and support we have become known for throughout the pandemic, ensuring that residents across the country could still have essential repairs carried out, and that customers' homes remained safe and secure.

Despite the pandemic, we moved forwards with many of our long-term strategic aims. We have integrated Wates Smartspace effectively. We have maintained a strong order book and retained almost all our existing contracts. Sustainability continues to be a key focus, and we are proud to have delivered some of the first Net Zero-carbon properties in England under PAS 2035, while also developing our PAS 2038 offer."

David Morgan, Executive MD, Wates Property Services

For more info on Wates Living Space go to **wates.co.uk/living-space**

WATES LIVING SPACE

Wates Living Space (WLS) is a leading provider of strategic asset management solutions, delivering planned and responsive maintenance, fire safety works and zero-carbon retrofitting services to local authority and housing associations across the UK.

As a trusted partner of over 50 social housing providers, the business maintains more than 500,000 homes every year.

In line with the wider social housing market in which the business operates, fire safety and compliance work was a major area of focus for WLS in 2021 as the sector continued to deal with the ramifications of the Grenfell Tower tragedy and subsequent cladding crisis. To date it has completed fire safety and cladding improvements at the request of customers on more than 130 tower blocks.

The most important task facing the sector in the coming years is the decarbonisation of an ageing housing stock. 2021 has seen the business take a big step forward in helping customers create a sustainable future as it supports their journey towards achieving the UK government's Net Zero carbon targets. To date, the business is working with 12 customers delivering PAS 2035 compliant retrofit programmes across the UK. This includes six ongoing projects that have been successful in gaining Government Funding through Local Authority Delivery and Social Housing Decarbonisation Fund Schemes. The future also looks equally bright with nearly £27m of new pipeline contracts in this area for 2022.

WLS faced material supply constraints, resourcing issues and cost inflation during 2021. Nevertheless, the business won £302m of work in the year. Significant new contracts were secured with councils in Leeds, Wakefield, Kirklees, Enfield, Thurrock and Lambeth.

"During 2021 Wates Living Space did a great job of meeting our customers' planned and responsive repair requirements. We built on our exceptional work in fire safety and compliance, and established a leading position in the social housing retrofit market – partnering with customers and our supply chain partners to decarbonise the UK's housing supply. We will continue to work with the UK's leading social landlords to enhance the lives of their residents whilst also helping them deliver their sustainability strategies and achieve their Net Zero goals."

Steve Jackson,
Strategy Director, Wates Living Space

Above: Wates Property Services at CIH Housing conference 2021, Manchester

CASE STUDY

Stonewater

WLS's appointment as maintenance provider for social landlord Stonewater on a 15-year £105m contract not only shows the standing the company is building in the social housing sector, but also the way that it is prepared to innovate to provide great service to its customers.

WLS opened two of its own offices in Milton Keynes and Redditch to enable it to better serve Stonewater residents across the landlord's East and West regions, spanning from the West Midlands to Cambridgeshire. The contract was mobilised while England was still under strict COVID-19 restrictions, creating challenges both with service delivery and with the onboarding of new staff. In total the new contract saw 18 new recruits, in addition to staff who transferred over to the company from Stonewater.

New staff were trained in COVID-19-safe systems of working, which had been well-established by this point across WLS contracts. To put residents' minds at ease during this period, WLS created a short, animated video, which was attached to repairs appointment confirmation texts, explaining what they could expect from their service under lockdown conditions.

The partnership is also ground-breaking in terms of its environmental impact. As part of the Wates Group's goals of being Net Zero carbon from operations by 2025, all CO_2 generated by the operational delivery of the contract with Stonewater will be offset within the calendar year. Meanwhile, enhanced data collection will drive an overall reduction in CO_2 emissions in the future.

CASE STUDY

Notting Hill Genesis

In 2020, WLS's responsive repairs and maintenance partnership with one of London's biggest social landlords, Notting Hill Genesis (NHG), moved into its next phase.

WLS had originally won a contract to deliver repairs and maintenance for NHG's legacy housing association Notting Hill Housing Trust in 2012, before renewing the partnership in 2015, in a deal worth £7.8m a year.

In February 2021, WLS became responsible for the whole of NHG's stock – amounting to more than 66,000 homes. As part of the new contract, WLS took on the running of NHG's former direct labour organisation (DLO), which involved the transfer of 47 full-time staff.

CASE STUDY

Clarion

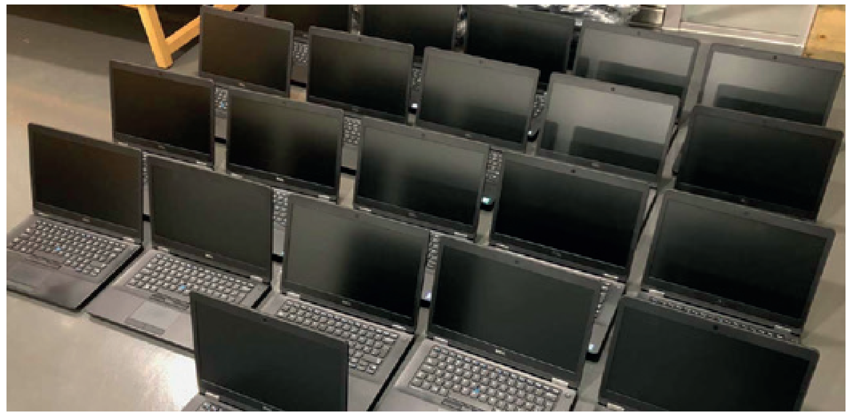
WLS secured one of the largest ever social housing planned-maintenance contracts when it signed a 20-year partnership with Clarion Housing Group in 2019.

Valued at £15m a year, the partnership represents one of the largest and longest planned-maintenance programmes to be delivered by WLS and pushed its portfolio of domestic properties past 500,000.

In 2021, Wates demonstrated its commitment to supporting the communities in which it works by providing 21 high-spec laptops for Clarion residents. This improved access to online resources and training opportunities for residents. The laptops were purchased from London-based social enterprise Revolve Technology and donated to Clarion's charitable foundation Clarion Futures.

"Access to a good-quality, reliable laptop is an essential part of getting our residents online, enabling them to benefit from all that the internet has to offer, from applying for jobs and saving money on utility bills to doing the weekly shop. Wates' donation will help us to reach even more excluded households in the year ahead, and we're grateful for their support."

Steph Noyce,
Head of Money and Digital at Clarion Futures



WATES FM

Wates FM (Facilities Management) provides self-delivered mechanical, electrical and 'total FM' services to customers in both the public and private sectors. Wates FM works for customers in a wide range of sectors, including high-end corporate, healthcare, education, leisure, logistics, banking and finance, research and development, and heritage.

During 2021 Wates FM supported many of its customers as their staff returned to workplaces. Many businesses have adjusted the way they operate as a result of the pandemic and have needed to make corresponding adjustments to their property portfolios.

In response to these changing customer requirements, Wates FM developed a business guidance framework focused on people and workplace governance. Known as the Stay Safe Strategy, Wates FM shared best practice with customers to facilitate a safe return to work, focusing on:

- Preparing physical assets
- Implementing controls
- Communication and reassurance
- Defining a social distancing plan; and
- Reducing risk by agreeing increased hygiene plans and future-proofing buildings.

Despite the significant challenges the business faced, Wates FM achieved the highest pre-tax profit in its history and secured work worth nearly £18m a year, retaining all its key customers and winning work with new customers, including the Wellcome Trust, where Wates FM has been appointed to carry out extensive engineering operations and maintenance services to buildings and infrastructure at the pioneering Wellcome Genome Campus in Cambridge.

Working in collaboration with JLL, Wates FM also piloted an Energy Management Proof of Concept System (EMS) on a project in Birmingham where it invested in a scheme to monitor and enhance building performance. In the 12 months since the introduction of the EMS, there was a 27% saving on air handling, which would have gone unnoticed without the detailed analysis provided by the system. Data from the EMS also helped to inform JLL's budgets while they implemented and operated COVID-19-secure measures, providing the business with data on the environmental and budgetary impact of its estate strategy. The project was awarded a Green Apple Award for sustainability from The Green Organisation.

This project dovetails with Wates FM's ambitions for the future, one of which is to work more collaboratively with customers to enable a better understanding of building performance and identify options for enhancement, in particular around achieving Zero Carbon.

For more info on WatesFM go to **wates.co.uk/fm**

"2021 has been an exceptional year for Wates FM: the best trading year in our history. It's a success I attribute first and foremost to the passion and dedication of our team. We have retained all our key customers while expanding our presence into new markets. Our collaborative approach saw us work with a wide range of customers to deliver high-quality services, with an emphasis on enhancing sustainability and supporting them in their drive towards Net Zero."

James Gregg, Managing Director, Wates FM

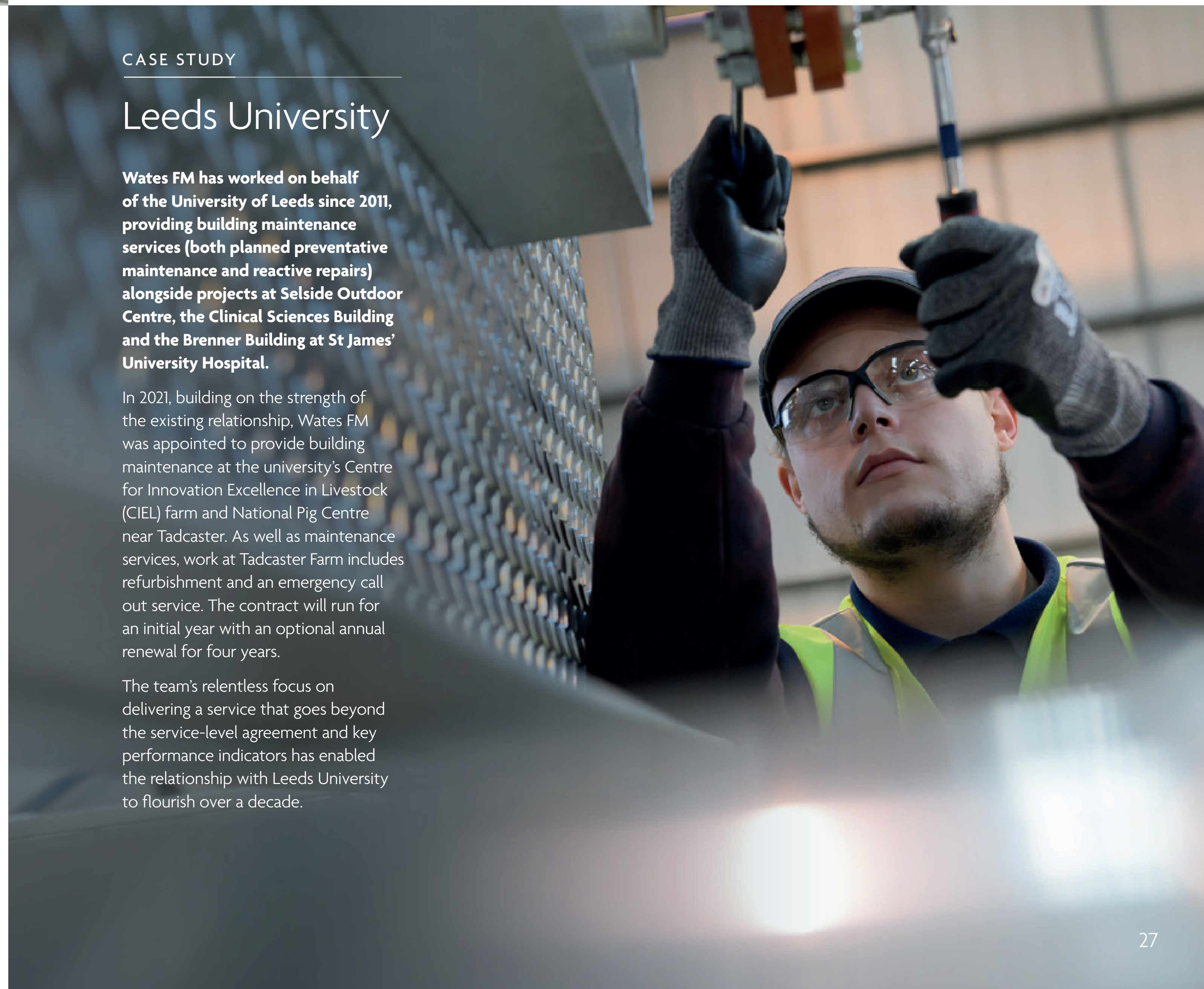
CASE STUDY

FedEx

Wates FM has worked with FedEx since 2009 and is now responsible for 94 FedEx sites, including its main distribution centre and cargo warehouses.

The business supported FedEx with business facilities infrastructure and M&E services throughout the pandemic, ensuring that the customer was able to continue to perform courier services to its usual exceptional standards during one of the most challenging periods in its history.

FedEx's delivery system is complex. Wates FM created a largely mobile solution, through which it manages a team of experts who are deployed to ensure zero downtime for the customer. This includes the provision of a network of mobile engineers, static teams and specially selected IT systems which, taken together, create a comprehensive 24-hour service.



CASE STUDY

Leeds University

Wates FM has worked on behalf of the University of Leeds since 2011, providing building maintenance services (both planned preventative maintenance and reactive repairs) alongside projects at Selside Outdoor Centre, the Clinical Sciences Building and the Brenner Building at St James' University Hospital.

In 2021, building on the strength of the existing relationship, Wates FM was appointed to provide building maintenance at the university's Centre for Innovation Excellence in Livestock (CIEL) farm and National Pig Centre near Tadcaster. As well as maintenance services, work at Tadcaster Farm includes refurbishment and an emergency call out service. The contract will run for an initial year with an optional annual renewal for four years.

The team's relentless focus on delivering a service that goes beyond the service-level agreement and key performance indicators has enabled the relationship with Leeds University to flourish over a decade.

For more info on Wates Smartspace go to **wates.co.uk/smartspace**

WATES SMARTSPACE

Wates Smartspace is a national business that delivers high-quality fit-out, refurbishment and property maintenance projects which enhance its customers' physical assets and operating environments.

Smartspace works for banks, retailers, property developers, pharmaceutical and distribution businesses, owners and occupiers of commercial offices and public sector organisations including healthcare and education providers. Project values range from £20k up to £25m.

In recent years Smartspace has become an increasingly agile business that can respond quickly to the changing needs of its customers. Following the challenges of 2020, during which Smartspace was impacted by project cancellations and delays, the start of 2021 was extremely positive with the team successfully delivering the highest six months of revenue ever. This increased workload, combined with material availability issues and price increases experienced across the industry, make the team's achievements in 2021 even more exceptional.

As a result, the business saw revenue return to levels achieved before the pandemic. 2021 turnover was £130m and the business secured more than £150m of new work during the year.

Key to Smartspace's resilience in 2021 was the growth in its public sector work, which now accounts for 50% of the business' total turnover. The business delivered record volumes of work for two lynchpin UK government customers: £36m for the Ministry of Justice and £17m for the Department for Work & Pensions.

A major highlight of the year was the confirmation of the business' involvement in the delivery of schools as part of the DfE's new £7bn four-year framework, the first time the business has been involved in a DfE framework. The business also won a place on the NHS Shared Business Services framework, delivered a first education project for Hampshire Council and retained its place on frameworks for four national banking customers and Marks and Spencer.

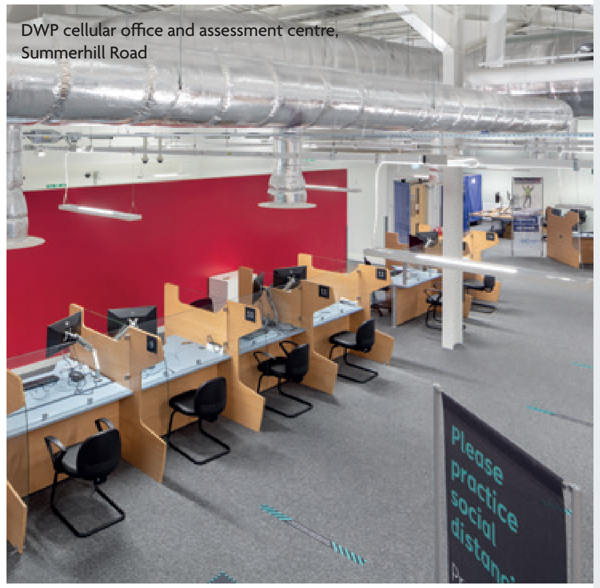
The business was also particularly pleased that it did not record a single reportable accident or safety incident during the year. Its improved Net Promoter Score is evidence of the consistently high levels of customer satisfaction it has achieved.

As customers emerge from the pandemic, Smartspace stands ready to help them, whether by transforming their offices or by implementing its sector-leading non-domestic zero-carbon offer.

"This was a year in which Smartspace overcame the challenges of 2020. Turnover returned to pre-COVID-19 levels, we retained all our key customers, and we continued to expand and excel in our core sectors, including the public sector, which now accounts for 50% of our turnover. Our commitment to quality, our collaborative ethos and our post-pandemic resolve enabled the business to perform brilliantly and, for the first time, to achieve a year of Zero Harm. I look forward to building on this success with my colleagues in 2022."

Scott Camp,
Managing Director,
Wates Smartspace

Wates' HQ, Leatherhead, refurbished in 2021



DWP cellular office and assessment centre, Summerhill Road

CASE STUDY

DWP Birmingham, Summerhill Road

This scheme for a key government customer involved the delivery of a new Jobcentre Plus and National Insurance Number assessment centre in Birmingham, creating a mixture of open-plan and cellular office space over two levels.

Smartspace also carried out enabling work, which included the establishment of access routes in line with COVID-19 social distancing requirements.

The mechanical and engineering (M&E) scope of the projects was extensive and included: refurbishment and installation of air handling units; installation of ductwork and wet heating systems; installation of LED lighting and lighting control systems; and new fire alarm installation.

The project was subject to budget constraints and changes to programme, but Smartspace worked collaboratively with the customer to review the required scope and offer cost-effective alternatives to keep the scheme within budget. The business also held pre-construction workshops to ensure that resolutions with the customer were reached on how risks were to be managed. This collaborative and flexible approach ensured the project was delivered on time and to the satisfaction of a key customer.

CASE STUDY

Royal Hampshire Hospital, Winchester

This project for the Hampshire Hospitals NHS Foundation Trust involved the fit-out of a newly relocated pharmacy department, which the Trust had decided to move into a different wing of the hospital, and the creation of a new non-public dispensing pharmacy for the hospital and surrounding units.

The design and fit-out, which was completed in July 2021, needed to meet specific best-practice requirements for pharmacies as per NHS guidelines, while also anticipating potential changes that may be required in the future.

The fit-out contract included the reconfiguration of the lowest floors of the existing hospital wing, which had been left fallow following the original construction. The scope also included fit-out, underground drainage, M&E and ceilings, partitions and doors.

This work was completed while ensuring that the upper floors could continue to operate as clinical wards and departments, meaning noise and disruption had to be kept to a minimum.

To do this, the team maintained a good, open relationship with the customer: decisions and their impacts were managed and communicated well in advance and team members were always available to deal with urgent requests and to offer advice.

For more info on Wates Residential go to **wates.co.uk/residential**

Wates Residential

Wates Residential is one of the leading developers and contractors in London, the South of England and Wales, delivering mixed tenure housing schemes in partnership with the public sector. The business works with its public sector partners to address the UK's urgent need for new housing and is driven by a belief that everyone deserves a great place to live.

288
Employees

Turnover
£268.0m

0.0
Riddor AFR

31
Sites under construction

1,295
New homes under construction

2.8m
Hours worked (construction sites)

73
New homes sold

5,000
Homes in active joint ventures

Number of accidents
25

£0.4m
Spent with social enterprises

Average site efficiency
98%

Wates Residential is committed to delivering locally focused regeneration projects designed to be bespoke to the needs of a local population, creating social value, procuring locally to create employment and training opportunities and improving the quality and environmental sustainability of the communities in which it builds. Meaningful consultation with stakeholders is central to how it works.

In 2021 the business employed 288 people and generated a turnover of £268m.

Overcoming a challenging environment

Like other businesses, Wates Residential was impacted in 2021 by the inflation of material costs and the inconsistent availability of labour. This resulted in wage inflation for some trades, but the business was able to mitigate this by maintaining good relationships with sub-contractors, ensuring that resources could be deployed effectively across its projects. Teams also ordered materials in advance whenever possible, prioritising critical pieces of work where supplies were scarce to ensure projects were delivered on time.

Despite these challenges, Wates Residential completed 387 homes for around 1,200 people. Of these new homes, 40% were classed as affordable. The business also won new contracts with an aggregate value of £236m during the year.

Notable projects included the completion of the last of the 200 homes at Daedalus Village in Lee-on-the-Solent and the ongoing work as part of Wates Residential's 10-year Cardiff Living partnership with Cardiff Council. The business was selected as the development partner for a landmark £700m regeneration programme with Harrow Council.

Looking ahead

Wates Residential is poised to invest and grow during 2022 and beyond, primarily through new partnerships with local authorities and housing associations.

Key areas of focus for the business in the next year and beyond are sustainability, safety and the development of an ever more inclusive culture. In terms of sustainability, Wates Residential will seek to achieve the Group's ambitious environmental targets and develop a suite of attractive, comfortable, high quality low-carbon homes. These will in turn help support communities which are affected by the challenge of rising fuel and occupancy costs.

The business will look beyond physical safety and develop a more holistic understanding of employee wellbeing by adopting flexible working practices that promote an effective work–life balance. The pandemic accelerated changes in Wates Residential's working practices. Site teams have experimented with flexible working, for example, by increasing the number of part-time roles. The business is committed to maintaining an inclusive culture that taps into the benefits of diversity and making the team one to which people from all backgrounds can be proud to belong.

"I am really proud of the fantastic homes that we have built and the support we have given to local communities and their economies. These new homes will improve people's daily lives – ensuring they feel safe, comfortable and secure.

Recognising what we have achieved over the last two challenging years gives me a huge amount of confidence for the future. We have demonstrated our ability to make a positive difference to the people and communities who need the most support. I am genuinely excited to see what we can do with the backing of the Wates Group and the support of our customers."

Helen Bunch,
Executive Managing Director,
Wates Residential


Arthur Street, Erith, Kent

CASE STUDY

Park East, Bexley

The first handover of homes to housing association partner Orbit at Park East was achieved in October 2021. The new homes have been selling fast at the mixed tenure development scheme in Erith, Bexley. When complete, Park East will include a total of 320 apartments for sale, shared ownership and rent. It will have transformed a tower block estate into an attractive new community with modern, high-specification homes set in attractive landscaping.

Wates Residential has created these contemporary new homes with modern living in mind. Larger than average living spaces are designed to adapt to occupants' work–life priorities. Access to natural daylight is maximised through full-length windows, private balconies and terraces for each home.

The apartments are set around a series of landscaped gardens, with open green space and play areas for everyone to enjoy. There is also easy access to local shops, transport links, parks, schools and riverside walks by the Thames.

"This is a great example of the kind of good growth we want to see in the borough. Not only has it provided attractive new homes in an area in need of regeneration, but also some great new outdoor space for residents to enjoy."

Councillor Teresa O'Neill OBE,
Leader of the London Borough of Bexley

CASE STUDY

Knowles House, Brent

Wates Residential completed the building of 149 affordable council homes in Brent, North London, providing housing for some of the borough's most vulnerable residents. Handover was achieved in October, allowing occupation to commence nine weeks ahead of schedule.

The site had been a care home, nursery and temporary accommodation for the homeless, but the buildings were in poor condition and not fit for purpose. The project was to demolish the existing buildings and construct two new blocks and new amenity space.

An exemplar for how Wates Residential works with communities to create a positive legacy, the site team created a foodbank for Newman Catholic College, whilst during the build programme a total of 766 young people were engaged in educational projects. Nearly 17,000 hours were invested in employment and training.

"When the pandemic struck, there was a risk that progress on new housing developments could have slipped. However, by working together, the housing team at Brent Council and Wates Residential acted fast to introduce high safety standards on site so that work could continue. The project team has faced up to all challenges to deliver these much-needed, good-quality homes for the residents of Brent not just on time – but earlier than expected."

Adeola Oke,
Capital Project Manager,
London Borough of Brent

CASE STUDY

Cardiff Living

Wates Residential's Cardiff Living programme will deliver 1,500 homes for Cardiff Council over 10 years and at the same time help tackle fuel poverty with the use of new technologies. The project includes three sites that showcase Wates' commitment to and expertise in decarbonisation and environmental innovation.

At Wates' Passivhaus site in Highfields, a Whole-Life Carbon and Life Cycle Assessment for the scheme is being used as a benchmark for embodied carbon targets on the rest of the programme. Wates is also devising a formal definition for Net Zero carbon for the council and an offsetting strategy for any carbon that cannot be eliminated from the manufacture, construction and operational processes.

At Eastern High, a demonstration centre has been showcasing prospective homeowners the raft of low-carbon technologies that will be incorporated into the 214-property development. These include ground source heat pumps, smart thermal storage, photo voltaic panels, batteries and electric vehicle charging.

Using the latest technology and construction materials, Wates has also installed the first modular homes of their kind in the city at Crofts Street. The nine two-bedroom houses will have solar panels on their roofs, use heat pumps instead of gas and will be extremely airtight.

CASE STUDY

Local authority regeneration

Wates Group's financial resilience has allowed it to invest in development joint ventures with local authority partners. Long-term partnerships with Havering and Harrow councils have started to produce much-needed new housing in both London boroughs.

In Havering, a £1bn joint venture will see Wates Residential build 3,500 homes over the next 12–15 years, while the £700m partnership with Harrow will deliver 1,500 affordable homes as well as community facilities and green public spaces.

By partnering with the councils, Wates Residential can deliver bespoke designs that meet the specific needs of the local area. These deals also generate real social value through training, apprenticeships and jobs. In Harrow, 300 jobs and 180 apprenticeships for local people will be created, while in Havering, the partnership has committed to spending £100m with local SMEs.


Wates and Havering working in partnership

For more info on Wates Developments go to **wates.co.uk/developments**

Wates Developments Group

Wates Developments Group (WDG) specialises in land, planning and residential development and comprises Wates Developments, Wates Partnerships and Wates Development Agency Services (DAS).

In 2022 Needspace?, Wates' flexible workspace business will be incorporated into WDG.

37
employees

Turnover
£107.0m

£136.2m
capital invested

100% success rate in securing planning consents

1,280
new homes under construction

55
sites in land portfolio

500
new homes sold

Wates Developments

Wates Developments focuses on securing land and delivering planning consents in urban and sustainable edge-of-settlement locations where new homes are needed. It has a proven track record of working with landowners to realise the development potential of their land and obtain consent for sustainable developments. Once consents are secured these sites are either developed in joint venture (JV) with volume housebuilders or sold on the land market.

The business holds a growing portfolio of potential development sites capable of delivering over 12,000 homes over the next 10 years. At present there are close to 2,000 consented and under-development plots in JVs with housebuilder partners. While competition for land is extremely intense, the combination of extensive expertise and a strong track record of success ensures that Wates Developments remains in a great position to secure a healthy pipeline of future sites and consents for new homes across Southern England.

Wates Developments performed exceptionally well in 2021, with the team achieving a 100% success rate in securing planning consents locally or at appeal. The business continues to be a leading advocate for sustainable new homes in the local communities in which it operates, making all planning propositions as sustainable and compelling as possible.

The business employed 37 people and generated a turnover of £107m in 2021. At the end of the year the business held more than 55 sites in a land portfolio that continues to grow. It has 12 developments within JVs, three of which were secured over the past 12 months, for 850 homes. 2021 was also a strong year for new home sales with the business securing 500 homes sales for the first time.

Wates Partnerships

Wates Partnerships offers land and building development in the affordable housing, private rented and senior living sectors. The business works in collaboration with Wates' contracting businesses to offer customers completed (or turnkey) developments. Where appropriate, Wates supports these schemes with its own capital. The team is aiming to bring the first schemes to site in 2022.

Wates DAS

Wates DAS provides outsourced development capability in residential project design, marketing and sales. This activity is carried out in collaboration with Wates Group contracting businesses and with customers, including local authorities and housing associations. During 2021 the team supported delivery teams on a range of sites and seeks further growth opportunities in line with the strong demand for new homes across the country.

Looking forward

Although the development sector is buoyant, the planning environment remains very challenging. There is a lack of clarity over government planning policy, there is only patchy commitment to ensuring local plans are put in place to meet housing needs.

The market for land and new homes is expected to remain strong in 2022. Wates Developments will continue to focus on maintaining the quality of land assets within its portfolio while working hard to optimise the planning potential of its sites to meet the UK's demand for new housing.

WDG's performance and the delivery of its strategy have been supported by investment in the team. In 2021 new appointments were made from graduate to director level, including a new Director of Planning, Commercial Director, Partnerships Director and Environment and Engagement Director. The business has also focused on ensuring that work has a positive impact on colleagues' wellbeing as the team adjusts to new, post-pandemic ways of working.

Hounsome Fields, Basingstoke

"2021 has been a year of exceptional performance by the Wates Developments Group. Although planning policy continues to inhibit the speedy delivery of much-needed new homes, the planning success rate for our team has been impressive, helping to secure the future success of the business. We anticipate that the strong market for new homes will remain and that the challenges around labour and materials will begin to reduce in significance. We are well placed, with excellent investments, established partnerships and a great team, to achieve our ambition to be the market-leading sustainable land promotion and development business."

David Brocklebank,
Executive Managing Director,
Wates Developments Group

CASE STUDY

Leybourne

Following a two-week public inquiry, Wates Developments secured planning consent for 250 family homes in Leybourne, Kent in March 2021. The independent planning inspectorate identified the substantial benefit of building the new homes alongside community infrastructure and a country park that would safeguard ecological value in the future.

The development will feature 40% affordable housing as well as 27 acres of new green open space, upgrades to local connectivity, upgraded footpaths to a nearby train station, significant highway improvements, and a £4.65m contribution to improving local services and facilities.

As part of the scheme, Wates Developments worked with Larkfield Community Church, a local charity, to incorporate a new purpose-built building that will host a food bank and regular events for children and the elderly.

The project is a perfect example of how Wates Developments works with local partners and the community to bring real benefits beyond the creation of new homes.

In November 2021, Wates entered into a JV with Vistry Group to deliver the new homes, becoming the first JV to be delivered by Wates Developments in Kent.

Rev. Mark Hayton of Larkfield Community Church said:

"The proposals really enhance the role of the church in the community and the organisations we support while also giving us the opportunity for long-term security from a new permanent home."

Rev. Mark Hayton,
Larkfield Community Church

Below: Red line indicates total area of development at Leybourne, East Malling, Kent.

CASE STUDY

Westbury, Wiltshire

The joint venture with Vistry Group at Westbury in Wiltshire is an example of how Wates Developments partners with leading UK housebuilders to deliver much-needed new housing. Operating on this project under Vistry's Linden Homes and Bovis Homes brands, the JV will provide 306 new homes close to local shops, schools and travel links.

As with many of Wates Developments' partnerships, this JV isn't just about building homes; it is about growing communities. In Westbury, alongside the new homes, a local woodland has been improved and the West Wiltshire Youth Sailing Association has been relocated to a larger site. In terms of positive environmental activity, the JV is committed to maintaining the nearby Eden Vale lake, whilst £2m is also being contributed towards the provision of a new bridge.

"We are working on three developments with our joint venture partner Wates Developments. Our collaborative approach ensures the developments we create are fantastic places to live; providing high-quality homes, green open spaces and play parks for the community. We have an excellent working relationship with the team and it's this clear communication and openness that ensures best practice from both organisations is implemented across our sites."

Dave Farley,
Managing Director, Vistry Western

For more info on Needspace? go to **needspace.co.uk**

Needspace?

Needspace? is Wates' flexible workspace business. It provides high-quality managed office or workshop space for small businesses in London and the Southeast of England, giving them the scope to grow and achieve their ambitions.

The business has a portfolio of seven premises in Clapham, Clerkenwell, Earlsfield, Hammersmith and Islington in London, as well as Crawley and Horsham in Sussex.

The office space market in 2021 continued to be affected by the pandemic. The third national lockdown at the start of the year and the slow return of workers to offices meant there was relatively low demand and a high churn rate for the first three quarters of the year.

It is therefore unsurprising that this was a year where the business experienced lower than anticipated overall occupancy rates at its business centres, with turnover reduced by 11% from 2020 (from £3.6m to £3.2m).

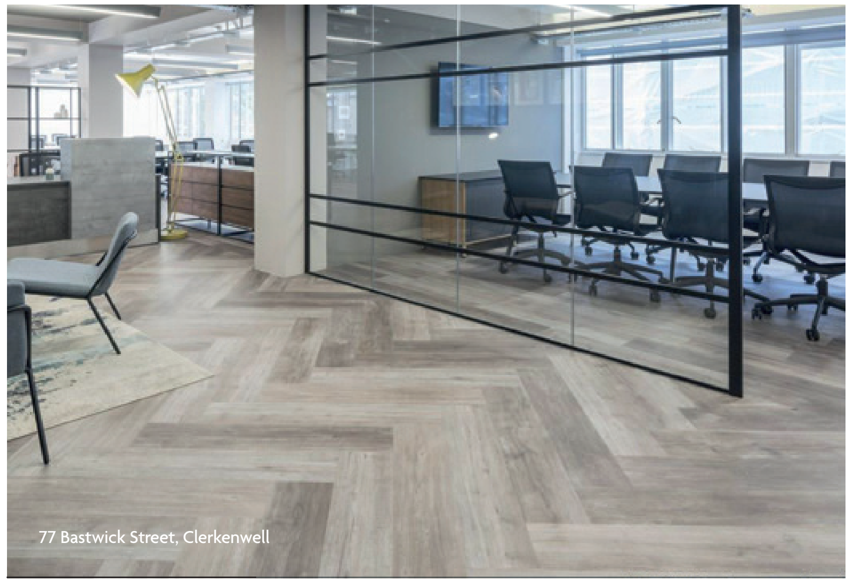
The strategic focus for the year was to stabilise occupancy rates. There were clear signs of encouragement in the final quarter of the year, which saw an uptick in rates to 65% from a mid-year low of just 60%. Key to this increase in occupancy was the letting of 3,100 sq ft of Grade A+ space in Clerkenwell to AVK, a provider of back-up generation and power to offices and data centres. While the market remained sluggish, Needspace? has targeted future growth by investing in its website and online marketing tools.

The business' primary focus for the year ahead will be on preparing its portfolio for the shift to a low-carbon future. Specifically, it has begun to plan the changes needed to improve the energy performance of buildings.

"2021 was another challenging year for Needspace? with a further lockdown at the start of the year putting significant pressure on many of our SME customers. My team has worked tirelessly to support our customers and stabilise occupancy.

It is brilliant to see confidence returning to our customers and an uptick in demand for flexible workspace as workers return to offices. In 2022 – as part of Wates Developments Group – we will improve the energy performance of our buildings and reduce our CO_2 emissions, making our business more sustainable for many years to come."

Charlie Wates,
Managing Director,
Needspace?



77 Bastwick Street, Clerkenwell

CASE STUDY

Lamazi Fabrics

Lamazi Fabrics is an online sewing boutique, founded in 2018, which stocks more than 175 pattern styles from independent designers.

The business began life in a spare bedroom but has outgrown its humble beginnings. The founders took up a unit in Needspace?'s Horsham City Business Centre, attracted by the location and the opportunity to grow.

"Central location and a spacious unit with two separate rooms and its own kitchenette were the key factors for us. We were also looking forward to meeting other like-minded small business owners."

Liana & James Gillott,
Owners, Lamazi Fabrics

lamazi fabrics
sewing boutique

CASE STUDY

EPH Creative

EPH Creative is a supplier to the themed events industry, specialising in the design, creation and supply of high-quality event theming and props.

As a creative business, working in a collaborative environment is incredibly important for EPH. With the events industry building momentum in 2021 following the third national lockdown, it became vital that the company's London arm had a comfortable, flexible working space after several months in which its staff had been working from home.

The Clapham North Art Centre, let from Needspace?, particularly appealed to EPH because it was a contained space with lots of flexibility. The variety of companies sharing the space was another huge positive, as was the kind and friendly approach of the Needspace? team.

EPH creative

"We have had a great experience with Needspace? over the last few months. We are in a good location, with the High Street and Common just a stone's throw away, meaning we're able to find food, drinks and shops without having to walk far. With great transport links we're able to travel around London for work and still have office space where we feel safe and secure."

Rosie Ellis & Matthew East, Owners, EPH Creative

Sustainability Report

Becoming a more sustainable business is at the heart of everything Wates does. Wates' Guiding Framework commits the business to acting responsibly for the benefit of its people, its partners and the planet. Wates seeks to ensure that it has nothing but a positive impact on health, happiness and the environment. The business aims to work safely, delivering services and products of the highest quality for its customers in a way that aligns with the Group's sustainability aspirations.

With the COP26 climate change conference highlighting the ever more urgent need for everyone to take responsibility for climate change, Wates is proud that its activities and overall strategic focus continue to be aligned with the UN's Sustainable Development Goals.

27% Reduction in recorded injuries and lost time incidents (since 2020)

Nearly **600** colleagues offered personal resilience training

99.1% of waste diverted from landfill

15,000 Trees planted with The Conservation Volunteers since 2019

226 Mental Health First Aiders trained

70 Approved suppliers of sustainable technology on WIN portal

Social value generated through Wates programmes **£115.9m**

£6.8m Spent through social enterprises

12,080 Young people engaged with through programmes

0.078 Lost Time Injury Rate (target 0.100)

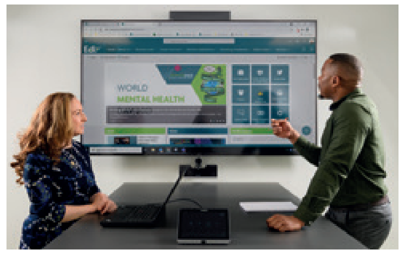
53% Reduction in Scope 1 & 2 carbon emissions (since 2019)

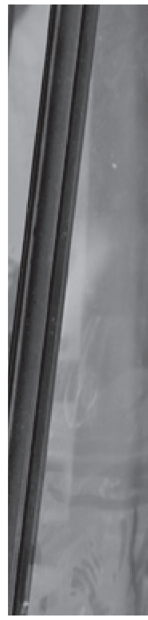
60% Accident Incidence Rate (A.I.R) lower than industry average (HSE)[1]

84.8% of the Group's electricity purchased from renewable supplies

[1] A.I.R = RIDDOR injuries per 100k workers.

This sustainability report references the following United Nations Sustainable Development Goals (SDGs)





ZERO HARM

The Wates Group is committed to ensuring the physical and mental health, safety and wellbeing of its employees, partners, customers and other stakeholders. Its industry-leading injury and accident rates remain low across all key metrics.

Improving mental wellbeing

During the year the Group partnered with mental health app and training provider EveryMind at Work to develop workshops on building personal resilience. The company-wide programme will continue for three years and has already been offered to nearly 600 employees in 2021.

This partnership is just one part of Wates' conscious efforts to tackle both the causes and effects of poor mental health across its people. The Group trained an additional 57 employees to become Mental Health First Aiders, taking the total number in the network to 226. A further 228 line managers were given training specifically on skills to better support colleagues suffering from mental health related issues. The total number of managers to have received this training is now 475.

Despite these efforts, mental health-related absence still accounted for the highest number of working days lost during 2021. Following an in-depth review, it was clear that work-related cases of absence were higher than reported previously. In 2021, there were 40 cases of mental health absence relating to work which is the base line figure for future reporting and monitoring. The target for 2022 is to achieve a 10% reduction on this figure, through training, promoting support available and effectively managing pressures in the workplace.

Suicide prevention

In 2020, Wates launched a company-wide campaign to raise awareness of suicide among people working in the construction industry. Suicide claims the life of one construction worker every day in the UK, meaning that workers in the industry are three times more likely than the average person to die due to suicide.

The campaign encouraged employees, business partners, family and friends to make time for conversations about suicide. It was launched at a time when experts were warning of the elevated risk of suicide because of the pandemic.

Wates continued this work in 2021, funding suicide prevention work at Kent University and promoting a 'myth busting' campaign across its sites and offices. It also developed a Suicide Support Handbook which is now included in its Operating Framework. The handbook provides guidance on processes to follow when dealing with suicide in the workplace, helping better equip colleagues to cope in ways that are both practical and sensitive.

We're Safer Together

The focus on mental health complements Wates' commitment to physical safety. Since the Group launched its We're Safer Together campaign in 2016, its record across all safety metrics has improved markedly, with Wates now widely seen as an industry leader on safety.

Total RIDDOR and lost-time injuries have reduced by 53% in five years, down to just 17 in 2021. Total injuries are down 64% across the same period, following a 27% reduction from 2020, while the Group is also especially pleased that 2021 marked the first year with zero recorded injuries to members of the public.

These improved figures do not come about by accident. Wates works constantly to reinforce its messages through new initiatives. For example, in 2021, the Wates Construction safety team identified that falling objects were among the most common causes of on-site accidents. In response, it launched an Exclusion and Fatal Zone campaign involving briefings and talks aimed at identifying key areas and activities where enforced exclusion or fatal zones could improve safety, such as near crane operators or at delivery bays. The campaign included teams playing with 'Jenga' blocks to bring the message home.

SOCIAL VALUE

For Wates, creating real social value in communities has become just as important as creating great places to live and work for its customers. In recent years, the Group has recognised the importance of measuring and reporting quantitative social value data alongside the qualitative elements that bring impact to life. This data, collected from site and contract teams, is now centralised so it can be measured using the TOMs (Themes, Outcomes and Measures) methodology. The Group also uses Social Value Portal for broader reporting on larger projects.

In 2021, the Group created social value of £115.9m through its own programmes and its work with partner social enterprises (SEs). It engaged with 12,080 young people on these programmes and spent £6.8m with SEs.

This was also the first full year of Wates' five-year social-value strategy, Creating Opportunities, which was launched in November 2020. The Group is committed to delivering on ambitious targets for each of its three central themes:

- Challenging inequality
- Inspiring and educating young people about careers in the built-environment industry; and
- Supporting and scaling the SE sector.

Wates is determined to create more opportunities for those people who are deemed to be furthest from the workforce by employing at least one person from an identified marginal group on every project. In 2021, 24 people from such groups were employed on 12 projects.

The Group has also partnered with The Prince's Trust and Manpower to recruit 16–24-year-olds at risk of long-term unemployment through the Government's Kickstart programme. So far, 20 people have been recruited through the programme.

Education

The Group's ambition is to engage with 25,000 young people in conversations or activities that encourage them to consider careers in the sector by 2025. In 2021, the Group launched its Green Schools Project, which is delivering a programme of environmental sustainability workshops at seven schools close to Wates projects. This builds on a successful pilot programme with six schools in Manchester and Gateshead in the 2019–2020 academic year.

On the project, trained volunteers run weekly workshops with groups of pupils to help them develop environmental projects that will benefit their school and the local community. This also supports the school's progression on the internationally accredited Eco-Schools programme. In addition, Wates' people run sessions introducing staff and pupils to the wide range of exciting and rewarding careers available in the built environment.

In 2021 the Group developed a sector-focused virtual work-experience programme in collaboration with Amey, Balfour Beatty and Wilmott Dixon, to promote the sector to young people. Three of these week-long programmes have been completed, with a fourth scheduled for 2022.

CASE STUDY

Children's Book Project

As part of its drive to challenge inequality in 2021, Wates and partner charity the Children's Book Project launched a national project to provide books for children to bridge the developmental gap between rich and poor.

The project was launched initially as a pilot scheme in Southwark, where Wates provided a donation point at its construction site in Borough Yards for members of the public to leave books.

Wates' site staff collected the books from the specially designed letter boxes, sorted them and the Children's Book Project distributed them to local schools.

Nearly 8,000 books were donated during this pilot, prompting the partners to take the scheme nationwide. Three more sites have been set up in London, where 18,000 books have been collected. Sites in Leeds and Birmingham have also been established, with one in Manchester set to follow shortly.

Assisting Social Enterprises to Succeed (ASSETS) – encouraging scale in the social enterprise (SE) sector

Wates' long-standing commitment to social enterprises extends to supporting their growth as well as trading and advocacy. In line with its strategic objective to support five SEs to achieve 'national scale' by 2025 the ASSETS business mentoring programme launched in summer 2021. The Group collaborated with Impact Hub Kings Cross, specialists in scaling SEs, to pilot a six-month programme, designed to drive scale within the sector by supporting organisations to develop growth plans.

The five mentee SEs: Connection Crew, The Recycled Assets Project (TRACO), Depher CIC, CAFgas and Saz Media were each partnered with three Wates mentors who supported them to analyse their businesses and begin implementing their goals. They additionally participated in eight expert-led workshops in topics such as digital marketing, leader resilience and growth mindset, peer-to-peer sessions and a Meet the Buyer celebration event.

Mentors and mentees alike benefited from the programme and it will be delivered again in 2022.

"We are constantly pushing to be safer, more sustainable and to create a positive impact on the environment around us. The physical and psychological safety of our people has always been our number one priority. Despite the challenges of the pandemic, our safety performance has been outstanding. There is always room for improvement, however, and we will implement even more measures in 2022 as we guard against complacency.

COP26 highlighted the scale of the decarbonisation challenge we face and the built environment sector's vital role in achieving Net Zero. We have made a concerted Group-wide effort to start to reduce our emissions and we have invested heavily in new initiatives, such as our WIN portal, which gives our customers access to new sustainability focused innovations.

In 2022 we are planning to adopt science-based targets on emissions, and to ramp up efforts to meet all of our ambitious zero-waste, zero-carbon and nature positive targets."

John Dunne,
Group Safety, Health, Environment, Quality & Sustainability Director

For more info on the WIN Portal go to **wates.co.uk/wates-innovation-network**

SUSTAINABLE INNOVATION

Wates Sustainable Technology Services (WSTS) has supported Wates and its customers to identify, trial and implement innovative, sustainable solutions for six years. It was launched in response to the growing demand for products that can improve the energy performance of buildings and help them meet environmental targets.

Through its unique Green Dragons' Den events, WSTS selects suppliers of sustainable products and technologies for key customers, matching the demands of each project to the technology that best meets those demands. WSTS works with 70 innovation partners and, in 2021, these events resulted in 26 such partnerships being established across Wates sites and offices.

To supplement these events and better enable customers to achieve their sustainability goals, WSTS launched the Wates Innovation Network (WIN) portal in March 2021. The WIN portal connects customers with a marketplace of suppliers of sustainable innovation, all of which have been pre-vetted and checked by Wates' team of in-house experts. The portal won the Wates Group Chairman's Award for Outstanding Achievement in 2021. The WIN portal has already been used to help some of Wates' biggest customers to reduce carbon emissions.

One of the first practical applications of the portal came in August 2021, when WSTS partnered with Lloyds Banking Group. The portal was used to identify solutions which will enable Lloyds to progress their aspirations of halving energy consumption and delivering Net Zero carbon across operations. Four suppliers will ultimately be chosen by Lloyds Banking Group and will be piloted across its estate.

For WSTS, such collaborations aptly demonstrate how its unique approach can deliver real sustainability benefits to both its customers and other parts of the Wates Group.

CASE STUDY

Clarion Hub

Leveraging a corporate relationship that goes back more than 20 years, Wates supported England's largest housing association, Clarion, with the installation of a range of sustainable technology solutions at a single Wates site from which the contract was serviced, known as the Clarion Hub.

Four of these technologies were produced by WSTS innovation partners. The four innovation partners are:

- MKL Innovation – a company that uses Internet of Things sensors to monitor operations and assets, identifying where cuts can be made to save energy.
- Paint360 – a technology that re-engineers waste paint so that it can be reused, saving carbon equivalent to five miles driven by a transit van for every litre of paint.
- Urimat – a waterless urinal from EcoProd that saves up to 100,000 litres of water per unit, per year.
- Propelair – a toilet that saves water, energy and money by using an air flush, reducing water use by more than 80%.

Between them, these interventions at the Clarion Hub are saving 30% of on-site energy use, carbon equivalent to 750 miles of transit van journeys, and 200,000 litres of water a year.

ENVIRONMENT

When Wates launched its environmental strategy in January 2020, it became one of the first organisations within the built-environment sector to commit to generating zero carbon and zero waste from its operations, and to having a positive impact on nature from all operations by 2025.

While the focus for much of 2020 was on raising awareness of the strategy and developing action plans, in 2021 Wates started putting some of these plans into practice. Initially, this has meant setting up systems, gathering data and benchmarking performance against the 2025 sustainability targets. A key piece of work in 2021 was developing a carbon baseline for the Group's 2019 Scope 3 emissions in preparation for submitting a science-based target.

This has meant considering the long-term environmental impact of all the buildings the Group designs, builds and maintains and how Wates can be a partner on its customers' journeys to Net Zero.

The Net Zero challenge

In the last 12 months the Group has seen an increased focus on environmental performance in the way that tenders are assessed by customers. In 2021 the UK government mandated that companies demonstrate their commitment to Net Zero by 2050 when bidding for public sector contracts, including the production of carbon reduction plans. Wates published its carbon reduction plans in September 2021. These detail the Group's baseline carbon emissions, current annual emissions, emissions reductions targets and the projects that will help them achieve these targets.

Wates is committed to becoming a Net Zero carbon company and to leading the sector by example when it comes to decarbonisation. In 2021 the Group committed to setting a formal Net Zero target under the Science-Based Targets initiative (SBTi), a UN-backed initiative to work with companies to reduce emissions. Wates' aim is to be Net Zero by 2045. For the short term, the Group's goal is to reach zero Scope 1 and 2 emissions from operations and vehicles by 2025.

In 2021 Wates worked with a number of customers to reduce carbon on their schemes. Wates Residential built its first 100% affordable Passivhaus scheme in Highfields for Cardiff City Council. As part of the scheme, Wates is undertaking whole-life carbon and circular economy assessments for its customer to inform future projects. See case study on page 33.

Wates Living Space (WLS) launched a new zero-carbon retrofit programme for social landlords, joining forces with energy efficiency specialist Energy Specifics on a 'whole house' retrofitting service to help homes achieve the government target of an EPC (Energy Performance Certificate) rating of C or above by 2030. Under the programme, WLS has already carried out a significant number of zero-carbon retrofit inspections and has built a pipeline of future work worth £27m.

In the healthcare sector, Wates is leading a consortium of built-environment specialists on the newly launched Decarbonising Health Estates Partnership for NHS England. The partnership will develop and implement innovative strategies to decarbonise NHS estates and drive sustainability within hospital infrastructure.

Wates has also begun work on the first of six Net Zero schools to be built as part of the DfE's 'Schools Rebuilding Programme', which will create 100 energy-efficient schools in its first two waves (see case study page 19).

Zero waste

Wates has pledged to produce zero waste from its operations by 2025. In 2021, the Group developed clear waste targets and action plans to meet those targets. These include carrying out 'Designing out Waste' workshops, engaging with closed-loop recycling organisations and putting take-back agreements in place with our suppliers, as well as working with supply chain partners that offer zero-waste products.

In addition to the overall waste reduction target, the Group targets diverting 98% of its waste away from landfill each month. Since early 2020, the Group has consistently exceeded that level, with 99.1% diverted in 2021. In 2021 the Group also outperformed its target set for the cost of waste. The Group spent £207 per tonne of waste generated against a target of £360 per tonne. This demonstrates the value of improved segregation of waste and waste management practices, and is a significant improvement on 2020, when the Group spent £358 per tonne of waste generated.

During 2021, Wates completed fit-out works at its headquarters to create a series of efficient, modern and attractive collaboration spaces. These works achieved 100% waste diverted from landfill, with a large proportion of the existing furniture, fixtures and fittings either being donated to charity or reused within the project. All timber waste was collected by Community Wood Recycling, a social enterprise that creates products out of reclaimed wood.

In November 2021 Wates Group partnered with Globechain, an award-winning online marketplace, where employees could list any unwanted surplus materials and equipment on projects, while simultaneously benefitting charities, SMEs, not-for-profit organisations and social enterprises. In so doing, Wates is the first family-owned construction company to implement a company-wide agreement with the reuse platform and by the end of the year over 300 items had already been listed.

Positive impact on nature

In 2020, Wates committed to delivering a positive impact on nature from all operations by 2025, doing so in a way which increases the value and community benefit of nature in all areas where Wates operates.

Establishing robust targets and measures for the Group's impact on nature is a major priority and Wates is working on ways to make Biodiversity Net Gain assessments a mandatory feature of its construction and development projects, targeting at least a 10% improvement on baseline biodiversity value where possible.

The Group's partnership with The Conservation Volunteers (TCV) has delivered tree-planting and conservation projects up and down the UK.

A 'Tree-athlon' campaign launched with TCV in 2019 achieved its ambition of 15,000 trees planted ahead of its 2022 target. Wates' engagement with Surrey Wildlife Trust has provided valuable knowledge-sharing and resulted in a workshop on 'Unlocking the potential of Biodiversity Net Gain', available to all Wates employees.

To ensure that the Group meets its target to impact positively on nature, an industry-leading internal resource is under development which will assist in the identification and management of nature-related risks and opportunities, defining a 'Wates approach' to dealing with nature and biodiversity and setting the standard for best practice in this area.

CASE STUDY

Wellington Place: 'The most sustainable buildings in Yorkshire'

Wellington Place in Leeds is a collection of offices, with landscaped gardens, repurposed heritage buildings and restaurants, which will provide accommodation for 30 companies, with over 1.5m square feet of offices, residential, retail and leisure space.

Wates Construction is currently working on buildings 11 and 12, which have been hailed as 'the most sustainable buildings in Yorkshire'. Sustainability has been incorporated into all stages of the project lifecycle, from small changes made during construction, to the materials used and how the building will operate once it has been completed.

The building will be rated BREEAM Outstanding, as well as having a NABERS UK rating which provides ongoing measurements of its energy performance. The team is targeting Net Zero for embodied carbon, sourcing materials from as close to the site as possible. It is also planning for the building to be Net Zero in operation, with electricity in place of gas and the installation of air source heat pumps.

Sustainability has manifested itself in a range of green initiatives on site: colleagues are encouraged to cycle to work, with bike storage provided; vegetables are grown on an on-site allotment with the site chef using the ingredients and a small pond has been established in a site garden, with its pump run by a solar panel. In addition, the site cabins have incorporated photo voltaic panels, which provide 22% of the cabins' energy needs.

Scan the QR code to watch the video case study.

SUPPLY CHAIN SUSTAINABILITY SCHOOL

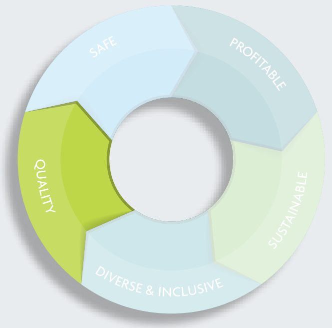
Supply Chain Sustainability School

Wates has been a Partner Member of the Supply Chain Sustainability School (SCSS) since 2016 and has retained Gold Member status. SCSS is an industry-led organisation that drives the improvement of sustainability skills and knowledge of the supply chain within the built-environment sector.

In 2021, 57% of Wates priority suppliers were registered with SCSS, a 1% increase from the previous year. Wates is represented on eight of SCSS' 15 leadership working groups: operations; construction; facilities management; homes; waste; wellbeing; carbon – climate action; and procurement.

The leadership groups receive and share updates from the school on initiatives, training and workshops, share learning and best practice around sustainability in the sector and define and shape SCSS learning objectives and content for employees and suppliers.

Wates encourages its supply chain partners to complete e-learning provided through SCSS, and a total of 1,958 e-learning modules have been completed so far in 2021, with 550 supply chain members and many Wates employees attending SCSS-delivered training workshops.



QUALITY

The entire Wates Group is committed to maintaining and improving quality standards. Quality is one of the five performance priorities identified in the business' Performance Wheel. The Quality team has a vital role, in addition to its responsibility for the Group's Operating Framework, for establishing the overall Group Quality Strategy, for driving best practice and for overseeing quality assurance, external certification audits and compliance checks.

In 2021 there were significant updates to the Operating Framework, in support of broader strategic priorities. These included the addition of new environmental processes to support the Group's Environment Strategy, the incorporation of Needspace? processes to the framework system and the addition of information in support of the Group-wide offsite manufacturing drive.

The Quality team has been heavily engaged in improving the Group's compliance structure and procedures. In 2021, it introduced a more comprehensive internal compliance review plan, allowing for a review of all Operating Framework requirements across all business units over a three-year period, providing a more accurate picture of where improvements need to be targeted.

As the world emerged from the pandemic-induced lockdowns, the team increased in-person site support visits, allowing it to work more closely with individual businesses around the Group, helping improve compliance and identify improvements.

The team also completed its planned external certification audit programme of 24 days, while making up an additional three days missed in 2020 due to the pandemic. Overall, the Group lowered its already challenging non-compliance report ratio target from 1.0 to 0.9, beating that target by posting a score of 0.8.

In terms of certification, both Wates and SES Engineering Services were recertified to ISO 9001, 14001 and 45001 during 2021, while Wates also continued its ISO 44001 certification. The Prism offsite manufacturing facility was recertified to ISO 9001.

The focus for 2022 continues to be improving compliance and performance, particularly looking at preparing and building on processes for compliance with the anticipated additional requirements of the Building Safety Bill, expected to come into force in 2023 and which will introduce tighter regulatory requirements for many residential buildings.

Enforcement action and fines

No enforcement action was taken against Wates in 2021.

PROGRESS ON THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Alignment with the TCFD

Wates recognises that climate change is a key driver of change for society and for business. Sustainability is one of the five performance priorities identified in the Group's Performance Wheel. In 2020, Wates became an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), which provides internationally recognised recommendations for the reporting of climate-related financial information.

In 2020, Wates began incorporating the TCFD framework into its annual financial disclosures and identified the key activities being undertaken to align itself with the recommendations of the TCFD. These activities related to the four thematic areas: governance; strategy; risk management; and metrics and targets. In aligning itself with international standards, as set by the TCFD framework, the Wates Group is better equipped to adapt to climate-related risks and opportunities.

Governance

In 2021, Wates established a TCFD working group to identify and manage climate-related risks and opportunities. This group has representation from across the business and reports into both the Sustainability Committee and the Executive Committee. The responsibilities of both the Sustainability Committee and Executive Committee are detailed on page 88.

Climate change is already a major factor in Wates' strategy and the Group has begun working with its customers to deliver Passivhaus developments, Net Zero buildings and PAS 2035 and PAS 2038 retrofit schemes.

As part of its carbon reduction strategy, Wates has set itself a target to generate zero carbon from its operations and operational vehicles by 2025 by reducing carbon emissions from its Scope 1 and 2 operations and becoming carbon neutral.

In 2021, the Group also committed to setting a formal Net Zero target under the Science-Based Targets Initiative (SBTi) and joined the 'Race to Zero' campaign, which aims to halve Scope 1, 2 and 3 emissions by 2030 against a 2019 baseline.

Performance against the Group's targets is tracked and reported to the Executive Committee every month, while demonstrating commitment to achieving these targets will form part of the assessment of individuals' performance from 2022.

Strategy: identifying climate-related risks and opportunities

During 2021, Wates identified and developed a deeper understanding of the climate-related risks and opportunities that will impact on its business over the short (2025–2030), medium (2030–2040) and long term (2050 onwards).

To achieve this, the Group developed two key climate scenarios: one which characterises the inherent physical risks associated with climate change under a high-emissions scenario and the other which addresses the transition to a low-carbon economy under a balanced Net Zero pathway scenario.

High-emissions scenario:

- The high-emissions scenario is based on the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways[1] (RCP) 8.5.
- It represents a future where levels of greenhouse gas (GHG) emissions continue to rise throughout the 21st century with minimal policy intervention.
- In this scenario GHG emissions result in warming of approximately 1.8°C in the UK between 2041-2060 relative to a 1981-2000 baseline[2].

Balanced Net Zero pathway scenario:

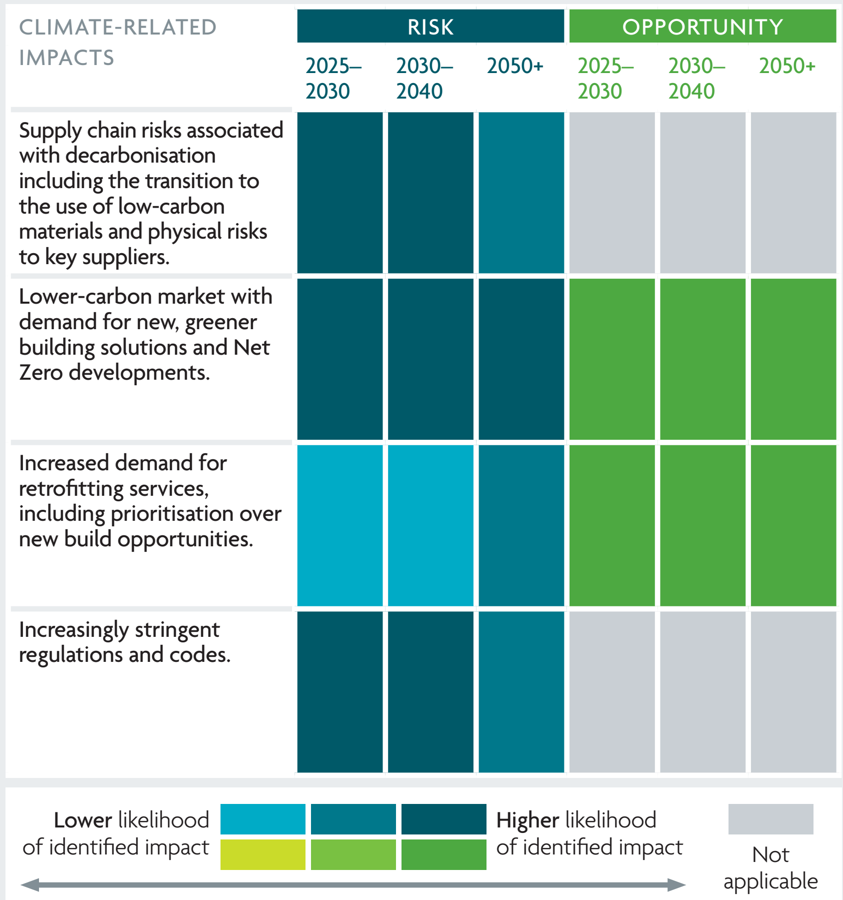
- The 'Balanced Net Zero pathway' scenario forms the basis of the Climate Change Committee's recommended Sixth Carbon Budget.
- It aligns with achieving the Paris Agreement of limiting global warming to 2°C.
- It presents a world where over 60% of the necessary reductions to reach net-zero by 2050 are achieved in the next 15 years and the fastest rate of decarbonisation occurs in the early 2030s.

[1] RCPs are used by climate modellers and are labelled after a possible range of radiative forcing values in the year 2100. RCP8.5 equates to a radiative forcing value of 8.5 W/m^2 and is underpinned by socio-economic assumptions and climate policy. For more background on RCP8.5 see the IPCC's latest Synthesis Report.
[2] See page 16 of Met Office (2018) UKCP18 Science Overview Report.

In a series of workshops, senior leaders from across the Group identified potential risks and opportunities posed to the business under the two scenarios. The impacts of both the transition and physical risks were considered, alongside the potential consequences and measures to mitigate the impacts. The working group concluded that, under a balanced Net Zero pathway scenario, the transition risks and opportunities are likely to have a more material impact on the Group in the short and medium term. Physical risks are more likely to impact the Group's operations in the long term.

Climate-related impacts

The risks and opportunities most likely to have a material impact on the Group are disclosed in the following table.



The Net Zero agenda is clearly both a key risk and huge potential opportunity for Wates. Given that the supply chain accounts for 75% of Wates' total carbon emissions, the Group's interactions with its supply chain partners will have a material effect on the pace at which the Group can decarbonise. Rapid decarbonisation would result in fewer new build opportunities but an increased number of retrofit opportunities. The measures identified to mitigate potential risks and maximise opportunities have been integrated into the strategy and governance of the Group and will guide Wates' activities in the coming year. In 2022, Wates aims to conduct a more detailed assessment of the risks and opportunities identified by the working group, integrating the outcomes of this assessment into its strategy and future financial disclosures. The Group is also devising financial metrics to track climate-related impacts.

Risk management

Wates uses an enterprise risk management (ERM) framework to track its risks and opportunities. The findings of the climate scenario workshops have been reflected in the Group's principal risk on 'Environment and Climate Change'. Where the findings guide other principal risks, these have also been identified, and are disclosed on pages 68-73.

Metrics and targets

To track progress against its 2025 carbon reduction target, Wates tracks its GHG emissions from its Scope 1 and 2 operations. Wates uses both location and market-based approaches to report against its absolute GHG emissions as well as an intensity metric to track emissions against turnover.

The Group has defined the boundaries of its Scope 3 emissions and developed a baseline for 2019. Out of the 15 Scope 3 categories, 12 were deemed relevant for the Group. Scope 3 emissions make up 98% of Wates' GHG emissions. These were calculated using an environmentally extended input-output (EEIO) model. Wates' aim is to phase out the use of EEIO conversion factors over time and phase in the use of actual carbon data. Given that every project is different and effectively has its own supply chain, Wates is prioritising large spend categories first. This will allow it to build up a more accurate understanding of its carbon hotspots over time and collaborate with its supply chain partners and customers to reduce emissions.

		ACTIONS	FY2020	FY2021	FY2022
Governance	Disclose Wates' governance around climate-related risks and opportunities.	Coordinate actions to strengthen the Group's sustainability and improve Board oversight of climate-related impacts through three meetings per year of the Sustainability Committee.	Completed	Completed	Ongoing action
		Appoint new Environmental Sustainability Director to lead on the Group's Net Zero transition and lead on TCFD disclosures. Monthly reporting on progress against sustainability targets to the Executive Committee.		Completed	Ongoing action
		Establish a TCFD working group to report to the Sustainability Committee on progress against climate-related risks and opportunities on a quarterly basis.		Committed / started	Ongoing action
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy and financial planning, where such information is material.	Undertake scenario analysis workshops to identify physical and transition risks and opportunities over the short, medium and long term.	Committed / started	Completed	
		Incorporate climate-related risks and opportunities into business planning and strategy development.		Committed / started	Ongoing action
		Quantify the impact of climate-related risks and opportunities on the business to inform strategy and financial planning.		Committed / started	Ongoing action
Risk management	Disclose how Wates identifies, assesses and manages climate-related risks.	Integrate consideration of environmental risks, including physical and transition risks related to climate change, into the Group's strategic risk report.	Completed	Completed	Ongoing action
		Include climate-related risks in the company's financial risk register.	Committed / started	Completed	Ongoing action
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	Continue to disclose Scope 1 and 2 greenhouse gas emissions in annual Streamlined Energy and Carbon Report (SECR) submission in line with Greenhouse Gas Protocol reporting requirements.	Completed	Completed	Ongoing action
		Develop Scope 3 reporting boundary and baseline.		Completed	Ongoing action
		Establish science-based targets and develop a supporting action plan to achieve emissions reduction targets and reach carbon neutrality by 2025.		Committed / started	Ongoing action
		Establish metrics and improve data reporting to monitor performance related to identified risks and opportunities.		Committed / started	Ongoing action

● Committed / started ● Ongoing action ● Completed

STREAMLINED ENERGY AND CARBON REPORT (SECR)

Wates' Guiding Framework commits the business to becoming more sustainable. In 2020, the Group set itself a target to generate zero carbon from its operations and operational vehicles by 2025, which means reducing carbon emissions from Scope 1 and 2 sources and becoming carbon neutral.

Further in 2021, the Group committed to setting a formal Net Zero target under the Science-Based Targets initiative (SBTi) and signed up to the Race to Zero campaign committing to halve its Scope 1, 2, and 3 emissions by 2030 against a 2019 baseline. The Group's aim is to be Net Zero by 2045.

Reporting period

Wates is reporting for the calendar year 2021, providing 2020 as comparative year and 2019 as a baseline year.

Environmental indicators

Wates operates an ISO 14001 compliant environmental management system for the Group, excluding Wates Developments and Needspace?. The Group's management system ensures processes to capture greenhouse gas (GHG) data from its operations are in line with SECR reporting requirements and the Greenhouse Gas Protocol.

For 2021, the Group has provided further detail of different fuel types used during the compliance year (see page 57) allowing the review of key trends. There were no incidents of fugitive emission losses in 2021 that would have increased Wates' emissions.

Reporting boundary

The statutory entities included in Wates' GHG reporting boundary for this report include all operations that fall under the Wates Group. Operations that fall outside of the Group's operational control have not been included, in line with GHG Protocol's operational control approach.

Measurement methodology

The Group's carbon footprint covers Scope 1, 2 and two selected Scope 3 emission sources which are business travel and waste. The footprint is calculated in accordance with the GHG Protocol.

Emissions from waste were reported for the first time in 2021. Waste data does not account for waste handled by logistic providers. Outputs are reported in MWh and CO_2e (Carbon dioxide equivalent), using the most recent available conversions factors from the Department for Business, Energy & Industrial Strategy[1].

- GHG emissions are reported using both the location- and market-based reporting methodology.
  - The location-based method reflects the average emissions intensity of the UK electricity grid which is steadily decreasing.
  - The market-based method reflects the emissions from renewable electricity tariffs that Wates has chosen to purchase that are backed by Renewable Guarantees of Origin (REGO) certificates. An emissions factor of zero tonnes of CO_2e per MWh has been applied in these cases accordingly.
  - In 2021, 5,451 MWh of the Group's supplies were from renewable electricity supplies backed by REGOs. Where REGOs were not available, a residual mix emission factor[2] has been applied.
- In 2021 further detail on the different fuel types has been provided in the energy table (see Table 2, page 57). In comparative years red diesel (gas oil) figures include kerosene.
- Business mileage expenses are now shown as business travel.
- The Scope 3 data for business travel in 2021 includes GHG emissions associated with hotel stays and waste for the first time.

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005677/conversion-factors-2021-full-set-advanced-users.xlsm
[2] This defined by the GHG Protocol as, "default emission factors representing the untracked or unclaimed energy and emissions if a company does not have other contractual information that meets the Scope 2 Quality Criteria".

Adjustments

Prior year Scope 1 and 2 carbon emissions per/£m revenue have been adjusted to include F-Gas emissions and carbon emissions from the Group's Needspace? business as shown in Table 1. The market-based calculations for 2019 and 2020 have also been refreshed to account for the residual mix of non-renewable supplies. Additionally, the 2020 revenue figure has been adjusted using the revenue figure of £1,382,857,000. The baseline has been changed from 2016 to 2019, to align future reporting with science-based targets.

Energy and carbon strategy

The Group's aim is to have its science-based target approved in 2022 creating a platform on which it can produce a more detailed carbon reduction roadmap.

Scope 3

The Group has established a Scope 3 baseline for its 2019 operations which covers 12 of the 15 Scope 3 categories outlined in the GHG protocol. 98% of the Group's emissions are Scope 3. The biggest contributor at 75% is products and services. The Group has calculated its emissions from products and services category using the Quantis tool, an Environmentally Extended Input Output model that uses spend data to derive emissions. Given the size of these emissions, it is evident the Group will need to work closely with suppliers to obtain more accurate data and collaborate to make progress toward Net Zero.

Energy and carbon performance commentary

In 2021, the Group made significant progress in reducing its emissions against its 2019 baseline.

- Absolute location-based Scope 1 and 2 emissions measured in tonnes of CO_2e have reduced by 53% from 14,273 tonnes of CO_2e to 6,705 tonnes of CO_2e
- Market-based Scope 1 and 2 emissions measured in tonnes of CO_2e have reduced by 51.1% from 11,557 tonnes of CO_2e to 5,649 tonnes of CO_2e.
- Location-based intensity ratio for Scope 1, 2 and 3 emissions for business travel reduced from 11.8 tonnes of CO_2e in 2019 to 6.2 tonnes of CO_2e in 2021
- Market-based CO_2 intensity ratio reduced from an initial rate of 10.1 tonnes of CO_2e in 2019 to 5.5 tonnes of CO_2e in 2021.
- The reduction in Scope 2 emissions can be explained by the closure of 13 offices in 2021 and the adoption of flexible working practices by many non-operational staff as well as working from home during lockdown periods.
- 84.8% of all electricity purchased by the Group was from renewable sources – a total of 5,451 MWh.
- The 2021 data shows a significant reduction in red diesel from 12,805 MWh to 4,086 MWh which can be explained by the greater use of customer electricity supplies.
- Both petrol and diesel use for vehicles has increased significantly over the year. This is a result of an increase in activity for Wates Property Services (WPS), which now has a fleet of over 600 vans. WPS are identifying options to transition the fleet to electric vehicles.
- Expensed business mileage has also increased as a direct result of COVID-19 with more employees electing to drive rather than take public transport. Whilst virtual meetings have reduced the frequency of in person meetings at offices, the majority of business activity takes place on project sites, in residents' homes or at other operational workplaces.
- The increase in petrol can be explained by the shift from diesel to petrol and petrol hybrid models by manufacturers.

Activities in 2021

The Group worked with its main plant supplier to identify more energy efficient plant and machinery that could be deployed on its estate and undertook product trials of new battery systems and electric plant with the intention of reducing the need for red diesel. It continued to trial the use of electric vans and worked with its fleet provider to offer both electric and hybrid solutions to company car drivers. At the end of 2021, 62% of company cars on order were electric and 27% were plug-in hybrids. Only 12% were internal combustion engines. As cars are renewed, internal combustion engines will be phased out. At present, the latter make up 58% of the company car fleet.

In line with its Zero Carbon target for 2025, the Group offset 3,569 tonnes of CO_2e in 2021 which equates to 62.3% of the Group's Scope 1 & 2 market-based emissions.

Assurance

The Carbon Trust was engaged to undertake limited assurance of the Group's Scope 1, 2 and selected Scope 3 emissions (waste and business travel), using the international standard ISO 14064-3 over the GHG data that has been highlighted in this report with the symbol°. The Carbon Trust's full statement is available at: www.wates.co.uk/CTA

Limited assurance represents a substantially lower level of audit than a reasonable assurance engagement. To reach its opinion, the Carbon Trust undertook a range of procedures over the GHG data. A summary of this work is included within its assurance opinion.

TABLE 1

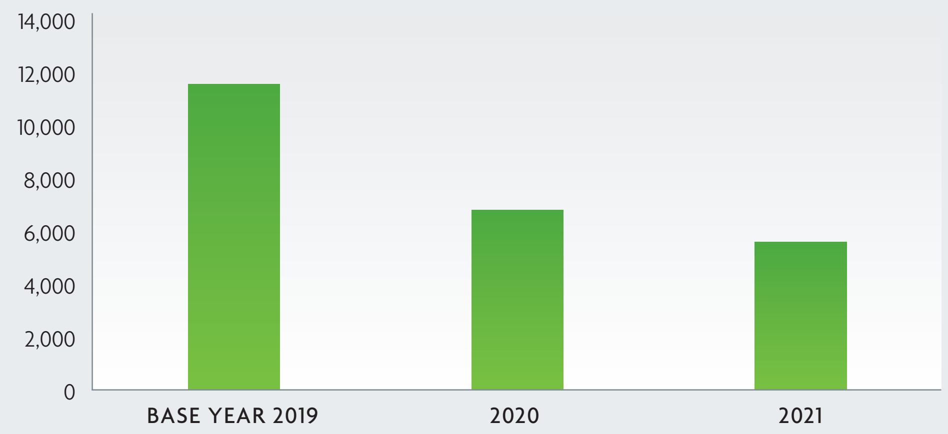
	ABSOLUTE TONNES OF CO_2e		
	BASE YEAR 2019	2020	2021
Scope 1	9,091	6,061	**5,335°**
Scope 2 (location-based)	5,182	2,320	**1,370°**
Scope 2 (market-based)	2,466	816	**314°**
Scope 3 business travel and waste*	4,054	2,244	**2,673°**
Total Scope 1 and 2 carbon emissions (location-based)	14,273	8,381	**6,705**
Total Scope 1 and 2 carbon emissions (market-based)	11,557	6,877	**5,649**
Total Scope 1,2 and 3 carbon emissions (location-based)	18,327	10,624	**9,378**
Total Scope 1 and 2 carbon emissions/per £m (market-based)	7.5	5.0	**3.7**
Total Scope 1, 2 and 3 carbon emissions per £m revenue (location-based) including business travel and waste	11.8	7.7	**6.2**
Total Scope 1, 2 and 3 carbon emissions per £m revenue (market-based) including business travel and waste	10.1	6.6	**5.5**

*carbon emissions from waste data was captured for 2021 for the first time.

TABLE 2

	ENERGY USE IN MWh		
	BASE YEAR 2019	2020	2021
Natural Gas	10,808	3,295	**1,642**
Electricity (non-renewable sources)	12,470	1,745	**979**
Electricity (renewable sources)	6,713	7,359	**5,451**
Red Diesel (Gas Oil)	12,805	7,859	**4,086**
Petrol (biofuel blend)	125	42	**313**
Diesel (biofuel blend)	12,606	12,234	**15,128**
LPG	2	4	**0.4**
Kerosene	-	-	**85**
Biodiesel (HVO)	-	-	**743**
Two Stroke	-	-	**1**
Business Travel	30,263	5,409	**10,114**
Total MWh	**85,791**	**37,946**	**38,542**

Total Scope 1 and 2 carbon emissions (market-based)

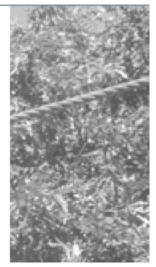


Wates Family Enterprise Trust

"It continues to be astounding that so much wonderful work and impact comes from such simple ideas. The Trust is proud to be able to support so many community groups and organisations that are vital in the communities in which the Wates Group operates. Together, we work to strengthen the communities around us."

Andy Wates, Chair of WFET

The Wates Family Enterprise Trust (WFET) is an independent, UK registered charity set up by the Wates family in 2008. The Trust is integral to the Wates family's belief in being responsible business owners. Its mission, based on this belief, is to build communities and improve lives long into the future. Since its inception WFET has donated £15.5m to charitable activities, supporting more than 2,000 organisations.



The independent status of WFET allows it to apply its own set of principles and values, which in turn guide its approach to delivering the greatest impact and public benefit from its work. Grant making and operations are funded by an annual contribution from the Wates Group, a decision supported by the Wates family as shareholders. In 2021, £825k was awarded to support the Trust's charitable giving.

The Trust's work is focused on three strategic areas: housing; life opportunities for young people; and sustainability. It also runs an employee giving scheme for Wates Group staff, which provides grants for projects in the communities where Wates Group staff live and work.

In 2021, the Trust published its first Impact Report, examining how effectively the grants it makes contribute to four key outcomes: engaging the disengaged; building resilience; influencing the system; and fostering active citizenship.

This Impact Report sets an important benchmark for the future performance of the Trust.

Tackling hidden homelessness

WFET has successfully brought together the Wates Group and homelessness charity St Mungo's through the funding of work on hidden homelessness. In 2020 St Mungo's published a WFET-funded report on hidden homelessness among transient workers. The report cited the construction industry as one of three sectors in which employees are most at risk of experiencing homelessness.

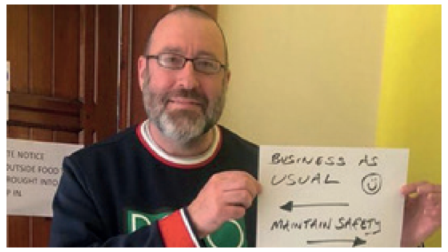
As a result, St Mungo's worked with Wates Group site managers and the learning and development team to develop awareness-raising training programmes providing support for managers to enable them to spot at-risk employees. This training was delivered virtually to staff in October 2021.

Giving back to our communities

The Trust awarded grants to community groups and charities based in the communities and neighbourhoods where the Group is working. Amongst others, the Trust was proud to support:

- Carlisle Key to continue its support and drop-in service to 280 young people and care leavers at risk of homelessness
- The Roberts Centre in Portsmouth to restart their summer play scheme for children living in temporary accommodation
- Bridge the Gap Football across the South, London, Liverpool and Birmingham which helps 400 19–30-year-olds with their mental health through playing football; and
- The Proud Trust by providing funding to furnish meeting rooms and spaces in their new building in Manchester as they support over 5,000 young LGBTQ+ people.

The panel and trustees were particularly excited to provide a grant to Combat2Coffee, a new organisation retraining and employing veterans to visit construction sites regularly, providing a space for coffee and awareness of mental health.



Left: Ian Newstead and Wates colleagues from the West Midlands hiked 11 miles to reach the summit of Snowden for Midlands Air Ambulance. They raised £1,265 which was matched a further £1,265 by WFET.

Employee giving scheme

One of the Trust's key ambitions is to foster active citizenship amongst Wates employees and the employee giving scheme is instrumental to that, providing awards and matched funding to causes nominated by Wates employees and which they care so passionately about. In 2021, a total of £130.4k was awarded as a result of employee nominations and engagement.

In 2021, Wates employees raised over £90k to help support 53 charities and organisations, with a further £49k given as matched funding from WFET. Over the 13-year life of the Trust, employees have raised an incredible £1.74m to help more than 750 different organisations. This has been supported by £567k in matched funding.

The pandemic has continued to affect every part of both working and home lives in 2021, as well as the communities in which Wates people live and work and their fundraising efforts. Consequently, the Trust chose to continue its grassroots '100 for 500: Let's Get Giving' campaign into a second year. Through this scheme, Wates employees were invited to nominate local community organisations to receive a one-off £500 grant. This campaign ensured Wates employees could support the charities they care most about in spite of the restrictions on fundraising events. In 2021, the Trust contributed £45k through the 100 for 500 campaign to 90 charities and other organisations.

Left: The Proud Trust.

Thinking Differently

This year the Trust collaborated with the Wates Group to offer a new fund – Thinking Differently – where the Trust provides funding and the Group bring resources, volunteering and expertise to a charity or social enterprise, supporting them specifically in a key strategic move or development. After a rigorous selection process, Embassy, a young charity in Manchester serving homeless men, was successful and the Trust looks forward to supporting them as they develop a service especially for women. The first year of this two-year, £80k partnership will enable Embassy to purchase a house and employ staff to start the rehoming of homeless women, with Group employees involved in the refitting of the property and mentoring of the women as they prepare for employment.

Above: Penny Arney of Group Services South East completed the Shine Night Walk half Marathon for Cancer Research UK. She raised £130, which was then further matched by £130.

Below: Matthew Armstrong of Construction North East completed the London Marathon for Kidney Care raising £1,105 which was then matched £500.

Thought leadership

The Trust is privileged to work with a number of experts across the voluntary sector, many of whom are instrumental in providing evidence to support government policy. 2021 was the first year the Trust hosted its first Trust Talk, creating a space for discussion and thought leadership amongst colleagues in the Wates Group alongside experts from the voluntary and policy sector. The first talk was led by the Centre for Social Justice and asked: 'How can housing support thriving communities?'.

Wates Group Board

The Group Board is comprised of the Chairman; Chief Executive; Chief Financial Officer; Executive Managing Director of the Construction Group (consisting of Wates Construction and Wates Integrated Construction Services); three independent Non-executive Directors; and four family Directors.

Its primary responsibility is to promote the long-term success of the Group so that it fulfils its purpose, creates sustainable shareholder value and makes a lasting contribution to society. The Board seeks to achieve this by, amongst other things, being clear about the company's purpose and by ensuring that its goals, strategy and behaviours align with that purpose.

Sir James Wates CBE

Chairman

Sir James Wates has worked for the Wates Group since 1983 and has been Chairman since 2013 and on the Board since 1997. He is Chairman of the Nominations Committee.

Outside of the company, James is Chairman of the Institute for Family Business, and a Non-executive Director of Argent Services LLP. He has also served in the past as Chairman of the BRE (Building Research Establishment) Trust, Chairman of the CBI Construction Council, Co-chair of Infrastructure Exports: UK, President of the Chartered Institute of Building, Chairman of the Construction Industry Training Board, and Co-chair of Build UK.

Sir James feels passionately that good business, well done, is a force for good for society. In 2018 he was appointed by the Government to chair the coalition group developing corporate governance principles for large private companies (the so-called 'Wates Principles'). In 2012 he was awarded the CBE and in 2019 was knighted for services to business and to charity.

David Allen

Chief Executive

David Allen was appointed Chief Executive in April 2018, having joined Wates as Chief Financial Officer in January 2016.

Before arriving at Wates, David was Crossrail's Finance Director. He had joined Crossrail in March 2009 from Laing O'Rourke, where he was Finance Director for its European construction business.

Prior to entering the construction industry in 2004, David worked in Accenture's Strategy Consulting practice and HSBC Investment Bank's Corporate Finance & Advisory Division. He began his career with Arthur Andersen's Tax Practice, is a chartered accountant and holds a degree in Modern History from St. Peter's College Oxford.

A passionate advocate of environmental sustainability and of greater diversity in the built-environment sector, David is committed to fostering an inclusive culture in which all colleagues can thrive and fulfil their potential.

Jeremy Newsum

Senior Independent Non-Executive Director

Jeremy Newsum joined the Wates Group Board on 1 September 2018. A Fellow of the Royal Institute of Chartered Surveyors, Jeremy retired in 2016 after spending over 25 years leading the executive team of the Grosvenor Estate and the Grosvenor Family Investment Office. He is a member of the Investment Committee at Trinity College, Cambridge, and is Chair of the Evelyn Trust and of Cambridge Literary Festival.

Previous non-executive roles include: Chair of the Urban Land Institute; President of the British Property Federation; and council member of Imperial College, London. He was Founding Chair of Cambridge Ahead and is a Deputy Lieutenant of Cambridgeshire.

Jeremy became the Wates Group's Senior Independent Director on 1 October 2019 and is a member of the Remuneration and Nominations Committees.

Jonathan Oatley

Independent Non-Executive Director

Jonathan (Joe) Oatley was appointed to the Board as a Non-executive Director in July 2017. He was formerly Chief Executive at Cape plc – a global FTSE listed company specialising in the provision of critical industrial services to the energy and natural resources sectors – for six years until 2018.

Joe was previously Chief Executive of Hamworthy plc, a global oil and gas engineering business, which he joined in 2007 and led until its takeover by Wärtsilä in 2012. Prior to this, Joe spent most of his career in the engineering sector in a broad range of roles, including Managing Director, strategy development and acquisitions.

Joe is a Non-executive Director at Carclo plc, an international manufacturer serving the medical sector and Centurion Group Ltd, an international oil and gas services business. Joe is also a member of the advisory board of the financial PR firm Buchanan (part of the WPP group).

Joe was appointed Chair of the Wates Remuneration Committee on 1 October 2019 and is a member of the Audit and Nominations Committees.

Susan Harris

Independent Non-Executive Director

Susan (Sue) Harris was appointed to the Board as Non-executive Director in October 2019 and is Chair of the Audit Committee and member of the Sustainability and Nominations Committees.

Sue is a qualified accountant and former chair of the Audit and Assurance council of the Financial Reporting Council. She has held senior executive positions across the retail and banking sectors, including Marks and Spencer as Group Treasurer and Head of Corporate Development; Managing Director Finance at Standard Life, where she led the company's flotation process; CFO of Cheltenham & Gloucester; Finance Director Retail Bank; Group Financial Control Director and Group Audit Director for Lloyd's Banking Group.

Since 2013, Sue has built up an extensive portfolio of non-executive roles, currently at Cooperative Bank, Schroders and Co., FNZ (UK), Barclays UK Retirement Fund, more recently Clarksons PLC and previously at the Bank of Ireland UK and Abcam PLC. She had a 10-year association with MENCAP, where she gained experience of social housing – a key component of Wates' residential and property services offering.

Timothy Wates

Director

Timothy (Tim) Wates joined Wates in 1993 and has served on the Board from 2006 to 2008 and since 2011. He is Chairman of the Wates Family Council – the Family Shareholder forum – and is a member of the Remuneration and Nominations Committees. He is a Trustee of various Wates family charities.

Prior to joining the Wates Group, Tim started his career at Cazenove & Co.

Outside of the company, he serves on the Advisory Board of the Cambridge Judge Business School and is a Trustee of the Clink Charity. He is a Deputy Lieutenant of Surrey and is High Sheriff of Surrey in nomination for 2023/2024. He is Non-executive Chair of Tampopo Limited and a Non-executive Director at Pedder Property. For six years he was Chairman of the Coast to Capital Local Enterprise Partnership, completing his two terms in July 2020 and he has continued his regional business engagement as a member of the Surrey Growth Board and Chair of the Surrey Large Business Forum.

Tim has particular expertise and interest in housing and regeneration issues, as well as the facilitation of effective management of public–private partnerships. He holds an MBA from the University of Cambridge.

Andrew Wates

Director

Andrew (Andy) Wates joined the Wates Group in 1995. He was appointed to the Board in 2011 and is currently a member of the Audit and Nominations Committees. He is Chairman of the Wates Family Enterprise Trust and chairs the Wates Investment Partnership, which is the family's long-term investment portfolio. He has also served as Managing Director of Wates Interiors.

Andy recently stepped down, in 2021, as Chairman of the Wates Foundation, an independent grant-making family trust that has been supporting the charitable and voluntary sector for almost 50 years.

Before joining Wates, Andy spent six years with Costain Construction and John Shreeves & Partners. Outside of the company, Andy is active in the Institute for Family Business (IFB), serving as a member of the National Policy committee and Chair of the IFB South East Region. Up until June 2020 he served as Chairman of the Construction Youth Trust, founded in 1961 to support young people who are facing significant barriers to education, training and employment.

In 2018 he was elected to the Court of The Clothworkers' Company. He holds an MBA from Roffey Park Business School.

Charles Wates

Director

Charles (Charlie) Wates joined the Wates Group in 2005. He was the Founder and Managing Director of Needspace? for sixteen years, the company's managed workspace division, which now comprises a portfolio of seven properties across London and the South East.

He joined the Board in 2011 and is also Chairman of the Next Generation Committee. Before joining Wates, he was a chartered surveyor with over 20 years' experience in the commercial property sector with firms including Jones Lang LaSalle. Outside of the company, he is a member of the British Council of Offices and the British Property Federation. He is on the Board of Management, Estates Committee and Finance Committee of the Royal Alexandra & Albert School, and he is a governor of the Emanuel School.

Jonathan Wates

Director

Jonathan (Jonny) Wates was appointed to the Wates Group Board in 2008, having previously served as Group Head of Strategy and Sales Director of Wates Homes Ltd. He is a Trustee of the Wates Family Enterprise Trust, the William Wates Memorial Trust, and the Wates Foundation. He chairs the Board Sustainability Committee and champions sustainability at a strategic and an operational level.

Previously, Jonny was Founder and Chairman of the renewable energy start-up Myriad Cleaner Energy Generation, and he began his career as brand manager at International Distillers & Vintners (now Diageo).

Outside of the company, Jonny holds a range of positions including: Vice Chair of Polaris – Family Business Network International; an Advisory Board Member for the Centre for Climate Change and Social Transformations; a member of the Advisory Council of Commonland; a Trustee of Forum for the Future; an Associate at Leaders' Quest; and an Ambassador of the World Benchmarking Alliance.

He has an MBA from the Cranfield University School of Management and a master's degree in Sustainability and Leadership from the University of Cambridge. He is passionate about encouraging biodiversity in the city to raise awareness of climate change, promoting community cohesion and creating a harmonious relationship between humanity and nature.

Philip Wainwright

Chief Financial Officer and Company Secretary

Philip Wainwright joined Wates as Chief Financial Officer in December 2018 and sits on both the Group Board and the Executive Committee. Philip has a degree in mechanical engineering and began his career as a graduate engineer with Balfour Beatty, before qualifying as a chartered accountant with Ernst & Young.

He has over 20 years' experience in the construction industry and has held senior roles in Willmott Dixon, Laing O'Rourke, National Grid and the Man Group.

Paul Chandler

Executive Managing Director, Wates Construction Group

Paul Chandler joined the Wates Group Board in 2018 and has overall accountability for the Wates Construction Group.

Paul's expertise has been shaped across a construction career over nearly 40 years, notable for delivering profitable growth, together with leadership of businesses that have delivered some of the industry's most recognisable and iconic projects.

Since joining Wates in 2017, Paul has strengthened performance within the Wates Construction Group and, as part of driving the business to deliver the Group's 2025 strategy, has overseen the development of a national footprint for Wates Construction and SES Engineering Services.

Paul is passionate about creating an inclusive workforce and sponsors diversity and inclusion across the Wates Group. He is also a Wates supporter for the Young Women's Trust and represents Wates on the Construction Leadership Council and the All-Parliamentary Group for Regeneration and Development.

Wates Executive Committee

David Allen*

Chief Executive

Stephen Beechey

Group Public Sector Director

David Brocklebank

Executive Managing Director, Wates Development Group

Helen Bunch

Executive Managing Director, Wates Residential

Paul Chandler*

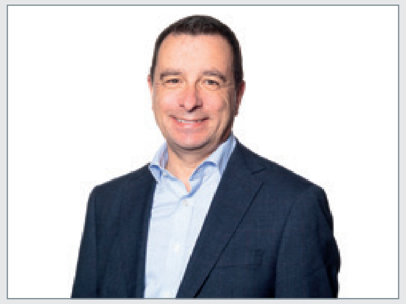
Executive Managing Director, Wates Construction Group

John Dunne

Group Safety, Health, Environment, Quality & Sustainability Director

David Morgan

Executive Managing Director, Wates Property Services



Simon Potter

Group Commercial Director

Paul Rowan

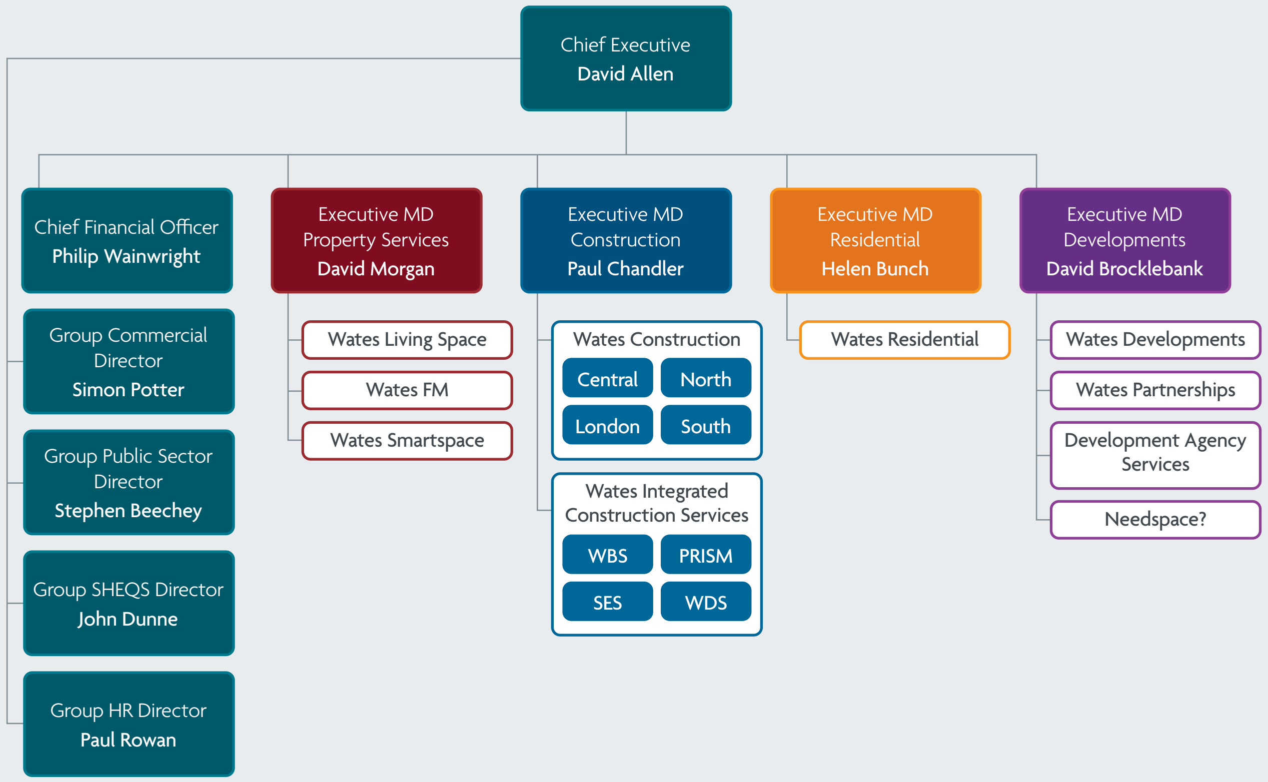
Group Human Resources Director

Philip Wainwright*

Chief Financial Officer

*Directors of Wates Group Ltd

Wates Group Organisational Structure



WATES GROUP LIMITED

Annual Accounts and Reports
for the year ended 31 December 2021

Contents

Directors and advisors

Directors	Sir James G. M. Wates, CBE (Chairman) David O. Allen (Chief Executive) Philip M. Wainwright (Chief Financial Officer) Paul Chandler (Executive Managing Director, Wates Construction Group) Susan E. Harris Jeremy H. M. Newsum Jonathan M. Oatley Andrew E. P. Wates Charles W. R. Wates Jonathan G. M. Wates Timothy A. D. Wates
Company secretary	Philip M. Wainwright
Independent auditors	BDO LLP Chartered Accountants and Statutory Auditors 55 Baker Street London W1U 7EU
Bankers	HSBC UK Bank plc 1 Centenary Square Birmingham B1 1HQ
Registered office and business head office	Wates House Station Approach Leatherhead Surrey United Kingdom KT22 7SW
Telephone	01372 861000
Website	www.wates.co.uk

Strategic report

PRINCIPAL RISKS AND UNCERTAINTIES

Circles shown in the table reference the five key priorities outlined in the performance wheel, details of which are included on page 11 as follows:

- Safe
- Sustainable
- Diverse & inclusive
- Quality
- Profitable

Arrows indicate changes to risk profile in the reporting period.

RISK AND MITIGATION	2021 ACTIVITIES
A. Health, safety and wellbeing	
The Group's activities have the potential to cause serious injury to its stakeholders, to damage property or the environment, to have a negative impact on the wellbeing of its people or to harm the Group's reputation. The Group is reliant on a largely subcontracted workforce, which creates additional challenges when it comes to monitoring activities. The health, safety and wellbeing of all stakeholders is the Group's number one priority. To control risk and prevent harm, the Group is focused on demonstrating the highest standards of health and safety management. This is achieved through strong leadership and culture and robust health and safety procedures. The Group pays close attention to the wellbeing of its people including measuring a wellbeing index as part of the Group's biannual employee survey. The Group monitors all health and wellbeing concerns and maintains contingency plans for its operations so it can respond proportionately to emerging risks whilst always protecting and promoting the health of all stakeholders. The Group monitors the impacts of climate change which may pose a risk to the health, safety and wellbeing of its stakeholders, for example extreme weather events such as strong winds, heavy rainfall and heat. These risks are managed through robust operational risk management and clear, timely planned responses. Health, safety and wellbeing remain key strategic priorities for the Group.	The Group's Health and Safety record has been consistently good. It has maintained a strong track record in line with its commitment to robust health and safety management. COVID-19 has continued to have a significant health impact and the Group has continued to adopt Site Operating Procedures (SOPs) in line with government guidance. The Group continued to focus on mental health risks, wellbeing and fatigue as priorities, particularly when employees who were able to do so were required to work from home for a large proportion of 2021. The Group developed a series of workshops on building personal resilience. The company-wide programme was delivered to 600 employees in 2021. Employee Assistance and Mental Health First Aid Programmes continue to reinforce the Group's commitment to workforce wellbeing. Other actions have continued to address areas of risk including: additional working at height risk assessments, height protection plan reviews, manager briefings and other toolbox talks. The Group responded to risks posed by extreme weather events by issuing guidance, including advice on mitigation measures through the management structure using emails, the Group's intranet and toolbox talks. As an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD), the Group considered the risks associated with climate change. See page 52 for further details of the Group's TCFD reporting.
B. Economic and market risk	
Demand for the Group's services may be vulnerable to a range of factors, including a sudden economic downturn, a lack of confidence in the housing market and the broader economy, reductions in Government and private sector spending, increased unemployment, regulatory developments (such as changes to building and fire regulations, or government intervention on specific issues relating to planning or building safety), product and materials availability, subcontract labour supply, and cost inflation. During 2021, COVID-19 and Brexit have continued to affect the market in which the Group operates. Haulage issues, delays in worldwide distribution processes, port and container ship delays, increased demand for products and materials, changes to border controls and skilled labour shortages have all intensified competition for resources, resulting in cost and wage inflation and increased volatility in the availability of materials and labour. The Group recognises geopolitical risk generally and as a consequence of Brexit, as noted above, and more recently as a result of the conflict between Ukraine and Russia.	Economic and market conditions continue to be challenging during 2021. The Group assessed the impact of inflation, identifying two risks as being particularly relevant to its operations: i) Reducing profitability of long-term contracts and house building schemes as a result of material and labour price inflation, particularly where inflation occurs between tendering and ordering; and ii) Reducing employee retention if baseline salaries do not remain competitive. The impacts of geopolitical risks were assessed. The Group closely monitored how the Brexit transition impacted the supply of materials from across the world, developing specific procurement plans where necessary to mitigate risk.

RISK AND MITIGATION	2021 ACTIVITIES
B. Economic and market risk – continued	
Detailed procurement plans are developed to mitigate the risks arising from Brexit, and the Group is closely monitoring the situation in Eastern Europe to mitigate any risk wherever possible. The Group's strategic focus is on those sectors in which a competitive advantage can be maintained and that have the most potential for profitable growth. To limit the impact of exposure to any one sector, the Group has diversified its product and service offering across different sectors. Members of its leadership team participate in political, economic, and regulatory forums to maintain effective working relationships with the Government and regulatory authorities. The Group pays close attention to the markets in which it operates and the macro-economic factors and Government policies impacting its strategy and operations. Ongoing changes to Government policy are regularly reviewed. The Group works for a wide range of public sector customers, which increases the resilience of the Group's pipeline of future work and provides good opportunities for growth. The Group acknowledges the risk that both Government policy and the strategies of its customers will be affected by the UK's Net Zero target and it continues to monitor the market impact of these changes. The Group recognises that its sustainability credentials are increasingly significant to work winning. It has developed plans to reduce both its waste and carbon emissions and works with its supply chain to monitor the changes that are being made to accelerate decarbonisation. For example, the transition to low-carbon materials could alter customers' requirements, demand new types of expertise and increase the cost of capital expenditure. The Group also places a particular focus on the changes to EPC regulations, which are likely to impact on the properties the Group owns. Further detail of the Group's assessment of the risk of climate change and decarbonisation can be found in the Environment Risk below. The Group has noted the Secretary of State for Levelling Up's January 2022 letter to consult with the residential property development industry on the means to fund the remediation of unsafe cladding on buildings between 11-18m high. There is significant uncertainty surrounding the outcome of this consultation, which may include changes to government policy and the impacts on the participants within the housing market (such as the insurance industry). The conclusion of the consultation and any resulting measures will not be known until after the date these financial statements have been signed. Until the consultation concludes the Group will not know if or how it might be affected. In the meantime, the Group is watching carefully for further developments of this consultation. Reference to the Brexit transition as a separate principal risk has been removed and, instead, the ongoing impacts of Brexit, most notably increased demand for materials and labour resulting in cost and wage inflation, are included within this economic and market risk analysis.	Following the escalation of tensions in Ukraine, the Group carried out a further review of its supply chain and sources of funding for private sector clients. The Group has identified no significant exposure to Ukraine or Russia through its operations but will continue to monitor escalating energy prices and the potential further impact on supply chain costs generally. Market intelligence is captured from across the Group's supply chain and is shared across the Group, enabling mitigation measures to be put in place, including: i) The use of a robust preferred supply chain; ii) Early procurement strategies, including bulk ordering across numerous projects and the storage of materials on-site; and iii) Ongoing collaborative communication with customers and supply chain partners to ensure inflationary pressures are addressed. The Group maintained a strong forward order book and continues to monitor the potential impacts that these risks pose, including on contract terms and house prices. A working group was set up to assess the changes in regulation as a result of the Building Safety Bill, in particular with regard to fire safety. This group cascades key messages to the leadership team on a regular basis and is preparing guidance and process to ensure compliance with the regulations when they come into force. The Group continued to monitor the impacts of its operations on the environment. The Group reported on progress against its 2025 carbon, waste and nature targets to the Executive Committee and Group Board. Solutions are being developed to ensure the Group complies in full with the changes to EPC regulations and the team began to consider a range of propositions to enable customers to ensure that their assets comply. Further information on the Group's environmental plans and commitments is set out on page 47.

Circles shown in the table reference the five key priorities outlined in the performance wheel, details of which are included on page 11 as follows:

- Safe
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- Quality
- Profitable

Arrows indicate changes to risk profile in the reporting period.

RISK AND MITIGATION	2021 ACTIVITIES

C. Competition

Risk and mitigation

If the Group fails to compete effectively in its chosen sectors, it runs the risk of losing market share or trading unprofitably. Although customers do consider service quality, capability, reputation and experience when assessing bids, price often remains one of the determining factors in contract awards. Climate change is having an impact on client decisions, with an increased demand for Net Zero developments, low carbon buildings and energy efficient retrofits.

The Group mitigates competitive risk by targeting projects where it has a competitive advantage and can manage costs and risks effectively. The risk profile of every bid is assessed at the estimation stage to determine whether it is in line with the strategic objectives of the Group. The Group is highly selective at bid stage and will only take on work that it can deliver effectively and profitably. The Group works with a number of customers on the delivery of low carbon buildings and is focused on further expanding its delivery capability and its development and use of relevant technologies. It is important that the Group retains its high-performing and forward-thinking team. See further details in the Appointing and retaining talent risk.

2021 activities

Competitive intensity has increased due to the economic and political environment noted above. The Group remains highly selective about the work it bids for and takes on. The Group reviewed and updated its bid and contract governance processes to ensure the Executive Committee and Group Board focuses on the risk profile of the Group's most important bids, contracts and investments. It maintains robust contract delivery and supply chain management process as part of its commitment to deliver assets and services of the highest quality to its customers.

D. Project delivery

Risk and mitigation

The Group uses its professional judgement in estimating, planning, designing and constructing its projects, often in complex environments. Each project could encounter difficulties that lead to cost and time overruns, litigation or disputes.

The Group's activities are guided by an Operating Framework that mandates rigorous policies and procedures throughout the project lifecycle. This framework, combined with comprehensive management oversight, the risk management process, project reviews, independent internal and external audits, peer reviews and customer feedback, help mitigate the risks to successful project delivery. There is close scrutiny of the financial judgements made on projects and the Group operates prudent revenue and profit recognition policies. The Group monitors significant external issues that could impact project delivery and maintains appropriate contingency plans.

2021 activities

Drawing on the experiences of the pandemic, project delivery processes have continued to evolve, whilst maintaining a critical focus on safety and productivity. In some areas, the Group found new opportunities to improve productivity and margins through the use of offsite construction and improved design. Customers continued to act pragmatically when collaborating with the Group to manage the commercial impact of necessary project extensions (primarily resulting from COVID-19 delays). The Group's performance has continued to be supported by its focus on supply chain management, contractual terms, risk allocation and ensuring quality in all aspects of delivery.

The Group considered the impact of climate-related extreme weather events, such as localised flooding of project sites or wider transport infrastructure issues and considers this to be an underlying risk that could lead to programme delays. Contingency plans remain robust to mitigate against any adverse impacts of such events.

RISK AND MITIGATION	2021 ACTIVITIES

E. Liquidity (Financial risk)

Risk and mitigation

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This could in turn affect its ability to invest, win work or pay staff and creditors.

The Group manages liquidity such that it maintains sufficient assets to meet its liabilities when they fall due. The Group monitors and stress tests its liquidity position continuously. Funding arrangements are reviewed regularly and approved by the Group Board.

The Group had £203.9m of unrestricted cash on the balance sheet as at 31 December 2021, with access to a further £120m via an undrawn Revolving Credit Facility, which expires in March 2023.

The Group does not consider that its pension fund liabilities (financial risk) warrants separate principal risk reporting in this period. The funding position of the defined benefit scheme has improved during the year, due in part to a further £8.4m deficit reduction contribution. The pension fund investment strategies remain balanced and diversified, ensuring a reasonable balance between risk and return and maintain a sensibly hedged position in respect of inflation and gilt rate movements.

2021 activities

Since March 2020, when the pandemic began, the Group has broadly maintained its investment profile and has continued to focus on cash management and liquidity. Additional and more frequent cash monitoring and forecasting processes put in place during 2020 have been maintained throughout 2021.

The Group took advantage of a £50m Coronavirus Large Business Interruption Loan Scheme facility in 2020, of which £5m has been repaid in 2021. The Group has a strong balance sheet and established lender relationships. Consequently, other financing options are available to it, should the need arise.

The Group is committed to paying its suppliers and subcontractors on time and its customers have, in turn, continued to pay the business promptly, as evidenced by the strong cash position as at 31 December 2021.

See 'Cash management' on page 74 in the Strategic report for further details.

F. Appointing and retaining talent

Risk and mitigation

The success of the Group is dependent on being able to attract and retain people that have the necessary capability, behaviours, experience and expertise to drive and deliver business growth, meet the Group's objectives, and deliver high-quality, high-value assets and services to its customers. Competition for skilled and talented employees is significant in our markets as a result of growing demand. ONS statistics continue to show a record-high number of vacancies. There is also a smaller pool of candidates to draw from post-Brexit.

The Group is committed to creating an inclusive and diverse environment in which all employees feel they belong. The Group is committed to having a positive impact on the wellbeing of its people. The Group proactively seeks to attract talent from a diverse range of personal and professional backgrounds, to provide the support, training and opportunity to enable all colleagues to reach their potential and to develop the leaders necessary for a sustainable future. The Group also pays close attention to remuneration packages to ensure they remain competitive.

2021 activities

The increasing demand for talent has resulted in wage inflation, as noted in the economic and market risk section above.

The Group's employment offering targets market-competitive remuneration (which is reviewed regularly), provides excellent training and career development opportunities, as well as the opportunity to work flexibly.

Attracting and retaining the best and most diverse talent is one of the Group's strategic priorities.

The Group's Employee Value Proposition is being used to inform a clear brand and attraction strategy. This will focus on attracting candidates from a wider and more diverse mix of personal and professional backgrounds, including from outside the industry.

The Group's approach to flexible working was accelerated as a result of the pandemic and a set of Flexible Working Principles were launched in June 2021. These apply to every role in the business and have inclusion at their heart. The principles guide our teams to rethink where, when and how work can be done.

Circles shown in the table reference the five key priorities outlined in the performance wheel, details of which are included on page 11 as follows:

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Arrows indicate changes to risk profile in the reporting period.

RISK AND MITIGATION	2021 ACTIVITIES
F. Appointing and retaining talent – continued	
	There has been encouraging take up of the Group's Family Leave policies, which were launched in 2020. The biannual employee survey and a series of stakeholder feedback sessions suggest that employees want to work for forward-thinking organisations with strong environmental sustainability credentials. Being able to demonstrate material progress against the Group's sustainability targets is an important part of its people strategy. The Group retained its Investors in People Gold accreditation in 2021. See People report on page 12 for further details.
G. Systems, data, cyber security and GDPR	
A loss of the Group's key systems through a lack of resilience or an information security breach or cyber attack could impact the successful delivery of its projects, disrupt its business operations, or lead to a loss of confidential or personal information, damaging its reputation and brand, and impacting the business financially. Robust controls and procedures are in place to monitor the performance of the Group's systems and security and to identify and mitigate external threats. The Group is continually developing and upgrading its IT infrastructure, software and cyber threat and assessment capabilities. The Group continues to develop and enhance data protection procedures in line with the relevant regulations. Controls and procedures are subject to regular independent internal and external audit.	In the current economic environment, cyber threat levels continue to increase, with more Zero Day incidents and Ransomware attacks being reported by organisations globally. The Group's systems, processes and controls have been robust to withstand these threats, while the Security Operations Centre (SOC) continues to provide robust and real-time monitoring and support. The Group has strengthened its IT infrastructure and made significant investments in its systems. It achieved Cyber Essentials Plus certification in the period. Infrastructure and support processes have adapted well to a flexible working environment and there have been no significant changes to the control environment. As the Group considers the effect of a transition to Net Zero, it acknowledges the requirement to capture carbon and operational energy efficiency data for customers. The Group is assessing options for investment in further reporting tools.
H. The environment	
All sectors in which the Group operates must work to reduce their negative impacts on nature and the environment. This creates huge opportunities and challenges for the business, which is why the Group committed in 2020 to a series of bold, ambitious and deliberately stretching 2025 targets to achieve zero waste from Wates operations, zero carbon from Wates operations and commercial vehicles, and achieving a positive impact on nature by 2025. There is a risk that the Group's activities may have a harmful impact on the environment and that the business might be too slow to mitigate and adapt to the accelerating pace of climate change. This could harm competitiveness and the Group's ability to attract and retain a high-quality and diverse workforce.	The Group's environmental plans were launched in 2020 with the aim of achieving stretching targets by the end of 2025. Although the pandemic slowed progress against these targets, in 2021 the Group made a series of important steps forward. A new Environmental Sustainability Director was recruited to lead the business' transition to a low carbon future. The Group worked with third-party consultants to develop a science-based target, beginning by establishing a baseline for its 2019 carbon data. The Group also assessed its climate related risks and opportunities in line with the recommendations of the TCFD (see TCFD disclosure on page 52 for further detail). The Streamlined Energy and Carbon Report (SECR) on page 55 provides an overview of the Group's environmental performance.

RISK AND MITIGATION	2021 ACTIVITIES
H. The environment – continued	
Within the sectors in which the Group operates, there is a growing demand for new low carbon and Net Zero buildings, and for the retrofitting of existing domestic and non-domestic buildings. Increasingly stringent regulations, policies and new building codes are being introduced, which are likely to lead to greater operating costs, require new processes, systems, technologies and investment in training and development. The Group's supply chain will need to decarbonise (see further details in the Economic and market risk) and the Group's ability to deliver low carbon assets and services will depend on their success in doing so. An inability to respond to these risks could result in a loss of market share, reducing revenues, profits and cashflow. Conversely, there is a valuable opportunity to become a market leader by responding swiftly to changes in customer expectations and the wider legal and regulatory context. All of the Group's Business Units are developing new Net Zero products and services appropriate to the markets in which they operate.	

Strategic report

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

Group financial performance

The Group's financial performance was exceptionally strong in 2021. Despite the COVID-related restrictions that were in operation for a substantial proportion of the year, Group turnover increased by £0.18bn and underlying operating profit grew by £24.0m. The Group maintained a strong cash position throughout the year, closing with net cash similar to that held at the end of 2020.

The summary financial performance for the Group is set out below.

	2021	2020	MOVEMENT
Group turnover Group turnover including the Group's share of joint ventures' and associates' turnover	£1.63bn	£1.45bn	+12.2%
Group statutory turnover Group statutory turnover excluding the Group's share of joint ventures' and associates' turnover	£1.52bn	£1.38bn	+10.1%
Underlying operating profit * Operating profit before interest and tax	£40.0m	£16.0m	+£24.0m
Underlying operating margin *	2.5%	1.1%	+1.4%
Underlying profit before tax * Profit before tax and before tax of joint ventures and associates	£37.4m	£13.1m	+£24.3m
Group statutory profit before tax Group statutory profit before tax including share of tax of joint ventures and associates	£35.9m	£0.8m	+£35.1m
Forward order book	£7.1bn	£6.6bn	+7.4%
Net assets	£177.1m	£142.0m	+£35.1m
Year end cash and cash equivalents including restricted cash	£228.7m	£215.9m	+£12.8m
Year end net cash Cash balance excluding cash held in joint ventures and restricted cash, net of debt	£158.9m	£161.6m	-£2.7m

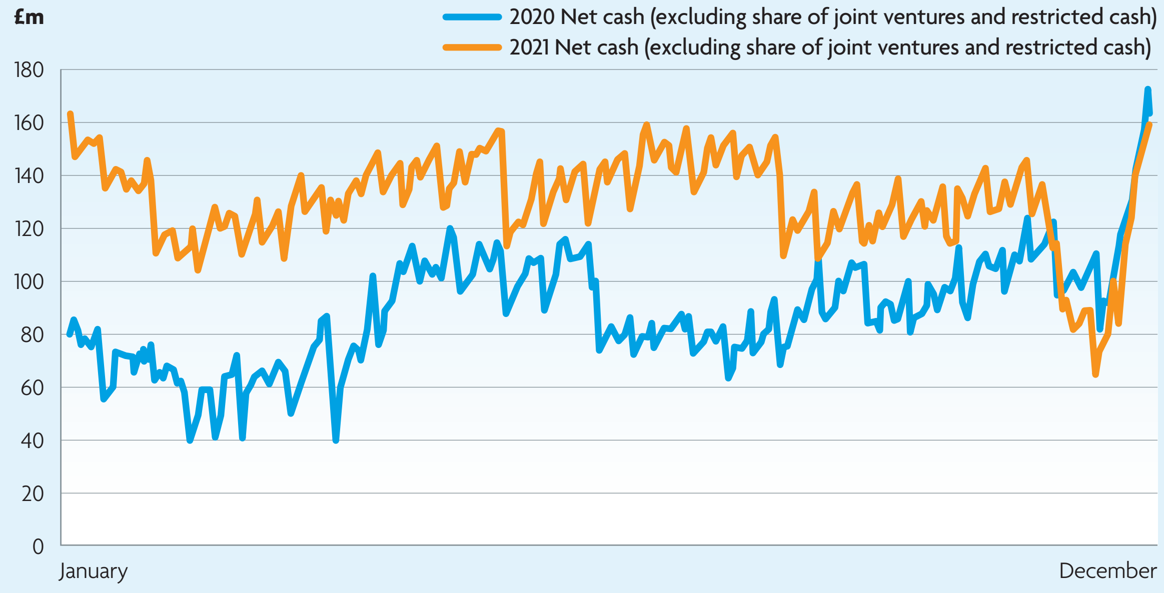
* In order to provide users with a clear and consistent presentation of the underlying performance of the Group, the 2020 comparative figures exclude separately identified items that were considered to be exceptional because of their size or non-recurring nature. Further details of the exceptional items in 2020 can be found in note 4 to the accounts.

Cash management

The cash position for the Group is set out below.

	2021	2020
Average daily gross cash balance Average daily gross cash balance excluding cash held in joint ventures and restricted cash	£179.6m	£166.9m
Average daily net cash balance Average daily cash balance net of debt excluding cash held in joint ventures and restricted cash	£130.5m	£88.0m
Year end cash and cash equivalents including restricted cash	£228.7m	£215.9m
Year end restricted cash Further details can be found in note 15 to the accounts	£(24.8)m	£(4.3)m
Year end cash and cash equivalents excluding restricted cash	£203.9m	£211.6m
Bank loans	£(45.0)m	£(50.0)m
Year end net cash Cash balance excluding cash held in joint ventures and restricted cash, net of debt	£158.9m	£161.6m

The Group has in place a revolving credit facility of £120m, which expires in March 2023. This facility was undrawn at both 31 December 2021 and 31 December 2020. The Group also has a Coronavirus Large Business Interruption Loan Scheme facility of £50m with the Group's existing lenders, of which, £45m was drawn at 31 December 2021 (2020: £50m). This facility expires in October 2023. Wates Group Limited (the company) undertakes a trade in finance by offering services to the Group and controlling and managing bank facility arrangements.



Cash flow

Inflows from Group operating activities of £1.8m (2020: £52.2m) and amounts received from joint ventures of £115.9m (2020: £23.3m) were partially offset by amounts paid to joint ventures of £92.2m (2020: £14.2m), purchases of fixed assets of £4.4m (2020: £3.1m) and dividends paid of £3.4m (2020: £7.4m). The inflow from Group operating activities is after deficit funding contributions to the pension fund of £8.4m (2020: £8.4m). See Note 22 for more information on cash generated by operations.

Construction Group

The Construction Group comprises two operating businesses, Wates Construction and Wates Integrated Construction Services.

	2021	2020
Construction Group turnover Construction Group turnover including the Construction Group's share of joint ventures' and associates' turnover	£771.9m	£808.3m
Construction Group statutory turnover Group statutory turnover excluding the Group's share of joint ventures' and associates' turnover	£771.9m	£808.3m
Forward order book	£3.9bn	£3.4bn

Non-financial performance indicators are included on page 14.

Financially, the Construction Group had a good year returning to pre pandemic levels of profit and margin. This was in the context of a trading environment that continued to be challenging. The first half of the year saw pandemic uncertainty lead to further delays in clients taking jobs to site. Whilst these delays reduced turnover, strong cost control and consistent underlying profits still allowed the Group to achieve its profit and cash targets. These contract conversion delays reduced in the second half of the year and the Construction Group finished 2021 with a record value of contract conversions in the year (well in excess of £1bn). As well as converting existing work, the Construction Group had a strong work winning year, finishing with its highest ever order book of £3.9bn.

The Construction Group restructured in 2021, arranging the business into four regional geographies. It also entered a number of new sectors (such as healthcare) and launched its new Technical Excellence Centre (TEC). TEC is a virtual platform, connecting capabilities and expertise across the Construction Group. TEC aims to accelerate and enhance carbon and waste reduction by acting as a catalyst for the adoption of new technologies (such as augmented reality) which, amongst other things, will help the business create smarter buildings for its customers.

Residential

	2021	2020
Residential turnover Residential Group turnover including the Group's share of joint ventures' and associates' residential turnover	£268.0m	£153.4m
Residential statutory turnover Residential statutory turnover excluding the Group's share of joint ventures' and associates' turnover	£249.3m	£149.9m
Units for which planning permission was achieved	1,295	254
Units for which planning permission is pending	3,832	1,700
Units completed through joint ventures and public sector collaborations	124	173
Active sites	74	20
Units still to be completed on active sites	1,199	509
Units worked on as contractor for public sector customers	400	776
Forward order book	£1.8bn	£1.7bn

Residential works in partnership with the Group's public sector partners to deliver housing-led developments on publicly-owned brownfield sites. During 2021, the business worked on strategically important sites in Harrow, Havering, Cardiff and Lee-on-the-Solent. The Residential business also operates as a construction contractor for public sector customers across London, the South and Wales.

Developments

	2021	2020
Developments turnover Developments turnover including the Group's share of joint ventures' and associates' developments turnover	£107.0m	£64.9m
Developments statutory turnover Developments statutory turnover excluding the Group's share of joint ventures' and associates' turnover	£25.0m	£4.3m
Acres of controlled privately owned land on which planning is sought	4,360	4,343
Plots on controlled privately owned land on which planning is sought	14,459	13,601
Units for which planning permission was achieved	510	-
Units for which planning permission is pending	3,576	5,339
Land sales completed	4	3
Units completed through joint ventures	500	374
Active sites	12	15
Units still to be completed on active sites	1,280	1,784

The Developments business had a very successful year, both in terms of sales activity and pipeline growth. A record 500 homes were sold through joint ventures, including the first completions at Basingstoke. Four land sales were achieved including two new house building joint ventures at Crowborough and Leybourne, which added 400 units to the pipeline. The Developments business has a strong land bank going into 2022 with 510 dwellings on controlled land where planning permission has been achieved and 670 dwellings with a resolution to grant planning. The business also strengthened its long-term pipeline by securing control of 346 acres of land.

Needspace?

Needspace? provides flexible serviced office space to small and medium-sized entities in seven centres across London and the South East. Statutory turnover for the year ended 31 December 2021 was £3.2m (2020: £3.6m). In December 2021, the aggregate value of the seven properties was reduced by £1.6m (to £49.5m). During 2021, an average of 78,124 square feet (2020: 92,924 square feet) of floor space was occupied, which accounted for 62% (2020: 74%) of the available space. We have seen increased activity and viewing levels in recent months and anticipate an increase in occupation levels in 2022.

Property Services

Wates Property Services comprises three specialist business units, Wates Living Space, Wates Facilities Management and Wates Smartspace.

	2021	2020
Property Services turnover Property Services turnover including the Group's share of joint ventures' and associates' property services turnover	£475.9m	£419.0m
Property Services statutory turnover Property Services statutory turnover excluding the Group's share of joint ventures' and associates' turnover	£472.9m	£416.8m
Forward order book	£1.4bn	£1.6bn

Living Space continued to experience the greatest impact from the pandemic in the first half of 2021. Customers in social housing delayed work and productivity was impacted by workforce absence due to COVID-19. In the second half of the year, repair volumes returned to usual levels, and bidding activity and the value of the order book both increased. Smartspace returned to pre-pandemic trading levels, with increasing volumes of work for customers in both the public and private sectors where the fit out market is increasingly buoyant, with a strong order book and pipeline. The Facilities Management (FM) business continues to grow. It retained all its customers in 2021 and, with employees increasingly returning to their places of work, demand for high-quality FM services is growing.

Pensions

The defined benefit pension scheme, which is closed to future accrual, has been valued in accordance with FRS102. At 31 December 2021, the pension scheme had a deficit (net of deferred tax) of £2.4m (2020: £17.7m). The reduction in the deficit was primarily due to actuarial gains and deficit reduction contributions from the Group. The market value of the scheme's assets was £319.3m (2020: £323.5m) and the net present value of the liabilities was £322.4m (2020: £345.3m). There was an actuarial gain in the year of £10.8m (2020: loss of £6.3m). A pension charge of £0.6m (2020: credit of £0.2m) was recognised in accordance with FRS102.

Shareholders' funds

Shareholders' funds increased by 25.0% to £177.1m:

	£m
Shareholders' funds at 31 December 2020	142.0
Profit for the financial year	29.1
Pension movements	9.4
Dividends	(3.4)
Shareholders' funds at 31 December 2021	177.1

Tax

The Group's tax liabilities arise and are met fully within the UK. The tax charge for the year (including joint ventures and associates) was £8.2m (2020: £0.1m), which gave an effective rate of 22.1% (2020: 7.9%). This compares to the UK mainstream corporation tax rate of 19%. The current year tax charge exceeds the UK mainstream corporation tax rate due to disallowable costs such as the amortisation of goodwill.

Dividends

Dividends of £3.4m were declared in 2021 in respect of 2021 performance and paid on 19 November 2021. Dividends of £7.4m were declared in 2020 in respect of 2019 performance and paid on 27 March 2020. No dividends were declared in respect of the Group's 2020 performance.

Wates Family Enterprise Trust

The Group continued to award funds to the Wates Family Enterprise Trust (WFET) to support its charitable giving. In 2021, this amounted to £0.8m (2020: £0.8m). The themes on which WFET's focuses are: life opportunities for young people; housing; and sustainability.

Strategic report

SECTION 172 COMPANIES ACT 2006

This report sets out how the directors comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2021.

Engaging with stakeholders to deliver long term success is a key area of focus for the Board and all decisions take into account the impact on a wide range of stakeholders. Views of stakeholders are gathered in Board papers and inform the decisions made in Board meetings. Stakeholders are impacted by, or benefit from, decisions made by the Board in different ways. However, it is the Board's priority to ensure that the directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs a-f of Section 172 of the Companies Act 2006.

Long-term strategy and vision

The Board operates a forward agenda of standing items appropriate to the Group's operating and reporting cycles. Items requiring Board approval or endorsement are defined clearly. These include strategy and key contracts, as well as items required by law and regulation. The Board monitors or reviews progress against strategic priorities, risk management, health and safety and the adequacy of internal controls.

After the significant impact of Covid in 2020, the focus of the Board in 2021 has been on ensuring that the Group's performance recovered quickly to pre-pandemic levels and that the Group is positioned to take advantage of the many opportunities for future growth. The Board approves an updated strategic plan every year and monitors its implementation throughout the year using detailed reports on operating and financial performance. In approving the plan, the Board considers factors such as competitor behaviour, the performance of the residential and construction industries, as well as the evolving economic, political and market conditions.

The current strategy is focused on investing an additional £110m of the Group's capital in its identified growth areas. These include: residential development (in partnership with Public Sector bodies); private sector developments (primarily through Joint Ventures with housebuilders); and environmental sustainability. This increased investment will help achieve the Group's long-term strategic objectives, whilst balancing the risks caused by changing economic and market conditions. To ensure that adequate returns are earned on this new investment and that the business is able to maintain its levels of performance in all its areas of operation, the Group has summarised its five key priorities as: safety, sustainability, diversity and inclusion, quality and profitability. For further information see page 11.

In determining the strategic plan, as well as the day-to-day management of the business, the Board considers the views of the key stakeholders referred to in the table below.

EMPLOYEES

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Group biannual roadshows led by the Chief Executive (the roadshows were conducted virtually in 2021) • Second annual Inclusion Month in October 2021 • Biannual employee survey • Site and office visits by shareholders, directors and members of the Executive Committee • Video content from the family and executive directors • Group-wide newsletters and emails • Internal and external social media channels • Intranet blogs • Group leadership calls from which messaging is cascaded to the workforce • Webinars • Emails from the Chief Executive and other members of the Executive Committee • Competitive compensation arrangements	• Formal launch of the performance wheel, providing a clear focus on the Group's five performance priorities • Further communication providing information about the actions the Group is taking to become more inclusive, diverse and anti-racist • Formal launch of the Group's Flexible Working Principles • Excellent take up of the Group's industry-leading Family Leave policies • Launch of a specific Anti Bullying and Harassment policy, embedding a zero-tolerance approach to inappropriate behaviour • Introduction of a Reverse Mentoring programme, pairing white leaders with colleagues from under-represented ethnicities • Pilot project introduced which will facilitate the 'debiasing' of the Group's recruitment processes • Pay rises were implemented in April 2021 and have been approved for April 2022 • High staff retention rates	• 'People' on pages 12 to 13

CUSTOMERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Regular customer engagement surveys by external companies • Meetings (either face-to-face or virtually) • Interaction through Wates' Innovations Network (WIN) portal • Contract negotiation, ongoing management, site visits etc. • Indirect engagement through the Group website, social media interaction, project reports and marketing materials • Communication about changes to legislation (e.g. Domestic Reverse Charge VAT) • Quarterly newsletter	• Net Promoter Score (NPS) survey outcomes reviewed by the Board on a monthly basis to monitor progress in customer engagement • Feedback received from customers (e.g. Leeds University achieving a perfect 10 for its NPS and Smartspace as a business improving its NPS from 30 to 60) • Through Wates Sustainable Technology Services (WSTS) and the WIN portal, the Group is supporting its customers to achieve their sustainability targets • Regular, effective and collaborative communication with customers about the Group's efforts to mitigate the effects of product, materials and labour supply issues, inflation and the pandemic on their projects and contracts • Exceptional customer retention across all of the Group's businesses • Delivering safely, to a high quality, on time and in line with contractual requirements	• 'Leeds University' case study on page 27 • 'Cash management' on page 74

SUPPLY CHAIN

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Dedicated team responsible for supply chain relationships • 'Meet the Buyer' events • Email bulletins to suppliers (including details of changes in regulations) • Health and safety training • Supply chain workshops • Regular meetings (either face-to-face or virtually) • Contract negotiation, ongoing management and site visits • Indirect engagement through the Group website, social media interaction and project reports	• Providing effective support to supply chain partners in respect of changes in regulation (e.g. the introduction of Domestic Reverse Charge VAT) • The Group's consistent and supportive approach with its supply chain over many years has helped it respond effectively to the challenges of the current market (such as changes in product, materials and labour costs) • The Group's commitment to the Prompt Payment Code has ensured that at least 95% of invoices are paid within 60 days	• 'Principle 6 Stakeholders' on page 86

FINANCIAL INSTITUTIONS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• The CFO and treasury function meet regularly with banks and providers of bonds • Presentation of annual budgets and strategic plans • Quarterly performance reporting	• The first repayment of the Coronavirus Large Business Interruption Loan Scheme (CLBILS) was made in the year • Positive ongoing discussions with lenders about the renewal of the Group's Revolving Credit Facility • Ongoing covenant compliance and strong average daily net cash of £130.5m (2020: £88.0m)	• 'Cash management' on page 74

COMMUNITIES AND ENVIRONMENT

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Local community events (e.g. 'Meet the Buyer') • Focused expenditure with Social Enterprises (SEs) • Direct engagement through membership of the Considerate Constructors Scheme (CCS) • Support of charitable programmes • Member of UK Green Building Council (UKGBC)	• Through WSTS, the Group is supporting more of its customers to achieve their sustainability targets through innovation. • Through its award-winning Wates Innovation Network (WIN) portal, WSTS is growing its portfolio of partners providing new solutions to cut carbon and make the built environment industry more sustainable • In 2021, the Group created £116m of social value and engaged with 12,080 young people • In 2021, the Group spent £6.8m on SEs, taking the cumulative spend since 2007 to £36.4m. Since 2007, more than £167m of social value has been created • The Group continues to provide funds to the Wates Family Enterprise Trust. £0.8m was contributed in 2021 (2020: £0.8m), taking the total amount given since 2008 to £15.1m • In 2021, 55.8% of Wates' priority suppliers were registered with the Supply Chain Sustainability School (SCSS), an 8% increase on 2020	• 'Sustainability Report' on pages 40 to 57 • 'Wates Family Enterprise Trust' on pages 58 to 59

SHAREHOLDERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• The Group interfaces with shareholders through away days, corporate events, the Chief Executive's twice-yearly presentation to the Family Council, regular interaction with the Wates family office and through the Group Board (five members of the fourth generation of the Wates family are members of the Group Board) • Annual General Meeting (AGM) • The preparation of the annual report helps shareholders understand the Group's performance during the year	• The directors maintain a regular dialogue with Board members and other shareholders • The Group has approved a long-term increase in investment across its core investing businesses, supporting its objective to become a more profitable and sustainable company	• 'Corporate Governance Report' on pages 83 to 88

Standards of business conduct

The Board is keenly aware of the need to maintain high standards of business conduct. Sir James Wates (Chairman), on behalf of the Secretary of State for Business, Energy and Industrial Strategy, chaired an industry group on corporate governance for large privately-owned companies in 2018. The Group has a strong ethical culture, underpinned by its purpose, behaviours and Code of Conduct. The Code of Conduct sets out the standards that all employees of Wates must follow.

The Board were involved in ongoing discussions with the Pensions Trustees on the investment strategy and future deficit repair contributions leading to the 2020 valuation being agreed with the Trustees on 30 March 2021.

The directors take very seriously their responsibility to ensure the Group is a good corporate citizen. Business creates wealth that, through taxes, delivers the investment which, if properly managed by politicians, leads to a fairer and more prosperous society. In 2021, the Group (including its share of joint ventures) contributed taxes, all within the UK, whether borne by the Group or collected on behalf of HMRC of £232.7m (2020: £106.9m). The Group is proud of the part it plays in the industry's contribution to society through its economic activity.

TAXES PAID IN THE YEAR (NOTE 1)	NOTES	2021 £000s	2020 £000s
Taxes borne by the Wates Group			
Corporate income tax payments/(receipts)		**4,750**	(334)
Employment-related taxes	2	**26,196**	27,185
Other taxes	3	**4,763**	5,211
		35,709	32,062
Taxes collected for HM government (in addition to taxes borne above)			
Employment-related taxes	4	**62,828**	59,771
VAT	5	**134,133**	15,064
		196,961	74,835
Total tax contribution (taxes generated by the Group from Wates Group activity)		**232,670**	106,897
Government grant income received	6	**-**	(7,727)
Total tax contribution (taxes generated by the Group from Wates Group activity) net of Government grants received		**232,670**	99,170

Notes
1) All taxes are paid in the UK; none in other jurisdictions
2) Employer national insurance contributions, income tax paid on benefits in kind and apprenticeship and CITB levies
3) Business rates, insurance premium tax, stamp duty land tax, irrecoverable VAT, fuel duty and vehicle and other taxes
4) Income Tax and employee national insurance contributions deducted from salaries and wages
5) Net VAT collected and paid. Payments in 2020 were lower due to the Group utilising the Government's VAT Deferral New Payment scheme and higher in 2021 as the deferred repayments were all repaid
6) Government grant income received through the Coronavirus Job Retention Scheme in respect of furloughed employees

The Board has approved the Group's policies on anti-slavery and human trafficking and anti-bribery and corruption (which can all be found on the Group's website www.wates.co.uk). The Board has also considered the data and narrative relevant to the Group's gender pay reporting in preparation for external publication. In doing so, it considered proposals to improve the Group's performance in this area.

Approved by the Board of Directors on 9 March 2022 and signed on its behalf by:

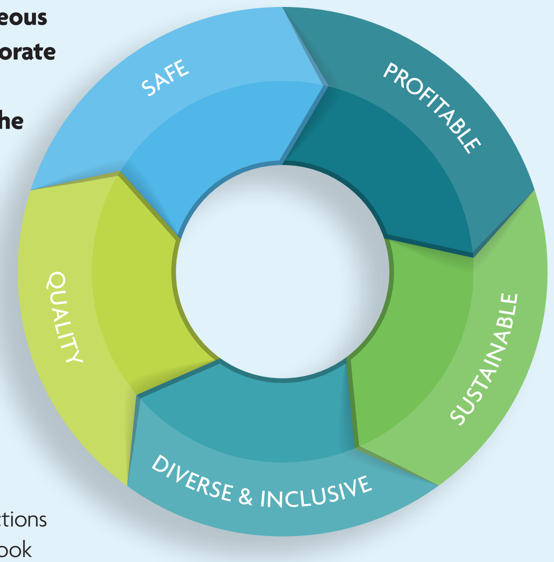
Sir James G. M. Wates CBE
Chairman

D. O. Allen
Chief Executive

Corporate governance report

For the year ended 31 December 2021, under The Companies (Miscellaneous Reporting) Regulations 2019, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2019 and available on the FRC website). The following paragraphs summarise how the Group has applied the principles over the past year.

The Group's website contains further supporting information on the Wates Principles (www.wates.co.uk/who-we-are/corporate-governance/).



Principle 1 – Purpose and leadership

The Group uses a Guiding Framework to define its purpose, goals and behaviours. Wates' purpose is, together, to inspire better ways of creating the places, communities and businesses of tomorrow. By ensuring that this purpose is at the heart of everything the Group does, Wates will build a reputation as a truly progressive, trusted and sustainable business. Wates believes that how it does business is as important as what it does. The behaviours that are expected of all Group employees are summarised in the Guiding Framework and require everyone to demonstrate in their everyday decisions, language and actions that they care, are fair and always look for a better way to perform.

During 2021, the Board focused on the five priorities that comprise the Group's 'Performance Wheel'. The five priorities define the areas in which the Group must perform well in order to achieve the goals that are set out in the Guiding Framework. The five priorities are: safety, sustainability, diversity and inclusion, quality and profitability. (See Strategy report on page 10 for further details).

In 2019 a new diversity and inclusion plan was introduced which defined the targets for the Group and explained the type of organisation that it wanted to become. In 2020, the Group announced a new suite of industry-leading Family Leave policies. More than 200 employees have made use of these benefits since they were introduced. In October 2021, the Group celebrated its second 'Inclusion Month', which encouraged an organisation-wide conversation on inclusion and helped raise awareness of the everyday actions that help and hinder inclusion. More than 1,100 employees took part in these events throughout the month.

Also in 2021, the Group formalized a set of Flexible Working Principles, which focus on rethinking where, when and how work can be done in a way that maintains or improves delivery for our customers, while also improving the lives and careers of employees. For information on how the Board engages with employees and considers their views see page 79 of the Section 172 Companies Act 2006 report.

As defined in the Group's diversity and inclusion plan, Wates is committed to having a workforce that more accurately reflects society and, despite disruption

caused by the pandemic, it is making progress against the challenging targets it set to achieve by 2025:

- 40% Female (2021: 29%, 2020: 28%)
- 20% BAME (2021: 13%, 2020: 11%)
- 3% Disability (2021: 3%, 2020: 2%)
- 5% LGBTQ+ (2021: 2%, 2020: 2%)

The Group has also launched an Anti-Bullying and Harassment policy, introduced a Reverse Mentoring programme pairing white senior leaders with colleagues from under-represented ethnicities, and introduced a pilot project to debias the recruitment process. These changes are designed to help attract and develop talented candidates from a much wider and more diverse range of personal and professional backgrounds. This is expected to lead to performance improvements and to help close the Group's gender pay gap.

As part of the Group's drive to become more sustainable, the Group has set stretching environmental sustainability targets. These are discussed in detail within the Sustainability Report on page 40. The Group has also evidenced its commitment to becoming more sustainable by being an early adopter of the reporting requirements of the Task-Force for Climate-related Financial Disclosures (TCFD) – see page 52. The Group engaged external consultants to help define how it will meet its sustainability targets.

Delivering social value is intrinsic to the Group's purpose and to its goal of being a progressive and responsible employer. By considering social value in its business decisions, including the way it employs staff, engages with communities and buys products and services, it can cultivate a more sustainable and inclusive society, demonstrating that good business done well can be a powerful force for good. For further information on the Group's progress in this area, see the Social value report on page 43.

Principle 2 – Board composition

The Board comprises a Chairman, whose responsibilities encompass leading and managing the Board, ensuring its effectiveness and the quality of its governance, and making sure that the family's values are reflected in the purpose, goals and behaviours of the Group. Together with the Chief Executive he ensures that the balance of responsibilities, accountabilities and decision-making across the Group are maintained effectively. They are augmented by a Chief Financial Officer, the Executive Managing Director of the Wates Construction Group, three independent non-executives and four family members (excluding the Chairman). Independent non-executive directors bring experience in property development, engineering, finance and audit, in addition to perspectives and challenge from outside the sectors in which the Group operates. The size (eleven members in total) and composition of the Board is appropriate for a Group with turnover of £1.5bn, operating in five complementary market sectors and is comparable to the Boards of similar listed businesses.

In 2021, the Board considered the requirement to have detailed succession plans in place both for the Board and other members of senior management.

The directors acknowledge that there is a relative lack of diversity on the Board, particularly in the context of the diversity and inclusion targets that were approved by the Board in 2019. The Board is committed to developing a more diverse workforce, including at the most senior levels and it has demonstrated this commitment this year by endorsing the CBI Change the Race Ratio campaign, which includes a drive to increase ethnic and racial diversity and inclusion among the boardrooms and senior leadership of businesses.

The most recent independent formal effectiveness review of the Board took place in 2019. The review assessed that the Board was competent and well run and could become even more effective by clearly aligning its agenda to strategic development and by engaging the whole Board more routinely in the active management of investor relations. The Board has been mindful of these findings during the year as it continued to respond to the pandemic.

A biography for each Board director can be found on the Group's website www.wates.co.uk/who-we-are/ and on pages 60 to 63.

Principle 3 – Director responsibilities

The Board has a programme of six principal meetings every year, plus an additional day for strategic planning. As part of every Group Board meeting, the governance of the Group is included as a standing agenda item. The Board's key areas of focus in 2021 are noted in the Section 172 Companies Act 2006 report on pages 78 to 82.

The Board receives regular and timely information on all key aspects of the business including on health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability. These are all supported by Key Performance Indicators (KPIs).

The Board approves an updated strategic plan for at least the next 3 years on an annual basis. For details of the output of the strategic plan see the Section 172 Companies Act statement on page 78.

The Board completed the 2020 valuation negotiations with Pension Trustees and continues to be consulted in respect of the pension fund investment strategy. It has also signed off the Modern Slavery Statement, the Tax Strategy Annual Statement and the ongoing discussions with the Group's lenders about the renewal of the Group's Revolving Credit Facility (which expires in March 2023).

To support good governance, the Audit Committee regularly reviews the relationship with the external auditors and has a policy that, at least every ten years, the external audit will be considered for re-tender. The Group commenced a tender process in 2019 that resulted in BDO LLP becoming the statutory auditors.

Principle 4 – Opportunity and risk

The Board seeks out opportunity whilst mitigating risk. The Group's key operational risks and mitigations are outlined in the Strategic report (and are noted as 'Principal risks') on pages 68 to 73. The Board also considers all major projects (defined by their value and risk profile) and approves them before any bids are finalised.

The identification and management of risk is the responsibility of the Executive Committee. Day-to-day risks are managed by the Business Unit Boards and then consolidated and reported through the Executive Committee to the Group Board.

The Executive Committee (as delegated by the Board) considers risks as part of the day-to-day management of the business. In 2021, there has been particular focus on the potential risk to the Group's current and future performance caused by cost inflation and constraints on the availability of labour, products and materials. The Board reviewed the management team's response to inflation, across all its businesses, and the potential impact on future performance. The Board was satisfied that the management team have the appropriate strategies in place to mitigate any material risk to the Group's performance in future years, although this will continue to be monitored closely throughout 2022. Other new specific areas of focus have included the scope and potential risks of the Residential Property Developer Tax and the impact of the upcoming Building Safety Bill and related matters.

The introduction of the Wates Corporate Governance Principles for Large Private Companies highlighted a need for the Executive Committee to focus on opportunities as well as risks and this has now been incorporated into the monthly Committee meetings. Some of the opportunities that have been considered include leveraging the Group's position as a trusted partner on a number of public and private sector frameworks, additional investment opportunities (as discussed within the Section 172 Companies Act Statement on page 78) and maximising the integration of the Group's project and contract delivery capabilities. The Committee is also considering the potential impact of the Group's diversity and inclusion, social value and carbon reduction plans.

Principle 5 – Remuneration

The Group aims to have remuneration polices which are fair and meritocratic. The structure and level of remuneration is set to enable the Group to attract and retain the best employees and motivate high performance at all levels in the organisation.

The start of 2021 was characterised by an unusually high level of economic uncertainty. In response, the Board implemented new incentive arrangements for all employees specifically for 2021. These arrangements provided employees with protection against a potential drop in profitability and with lower-than-normal targets in exchange for a reduction in payments for 'on target' performance. The Board approved pay-rises in April 2021, having not done so during 2020. No bonuses were paid in April 2021 in respect of 2020 performance. The Group's performance in 2021 returned to pre-pandemic levels and this has allowed the Board to approve a return to pre-pandemic incentive arrangements for 2022. The Board has also approved pay-rises from April 2022.

In 2021, the focus has been on a change to the Group's future incentive arrangements for all employees. The new arrangement, a profit-share scheme, will be implemented with a phased approach over the next two years and will ensure that all employees are aligned with the shareholders' objectives of delivering a sustainable, more profitable business whilst being more diverse and inclusive.

The Group continues to publish its gender pay reporting externally. At 5 April 2020, the median gender pay gap, across all Wates Group employees, was 32.9%. The COVID-19 pandemic had a significant impact on the Group's pay practices in the second quarter of 2020 and a significant number of employees were excluded from the data as they were furloughed at the snapshot date. The diversity and inclusion plan includes changes that should lead to improvements in the gender pay gap, and the Group intends to publish its 2021 report around the end of March 2022.

Principle 6 – Stakeholders

The Board is clear that good governance and effective communication are essential if the business is to fulfil its purpose and protect its brand, reputation and relationships with stakeholders, which include shareholders, customers, employees, suppliers, financial institutions, and the wider communities in which it works.

The health and safety of the Group's employees and other stakeholders remains its number one priority and the directors review the performance in this area at each scheduled meeting. The Board's commitment to creating a sustainable zero-harm working environment has resulted in an industry-leading performance for five consecutive years. For further information see the Sustainability Report on page 40.

The Group continues to publish all of the relevant data as part of its duty to report on payment practices and performance. The speed with which contractors pay their suppliers is an important topic within the construction sector. One of the key metrics is the number of invoices paid within 60 days. The Prompt Payment Code requires members to pay at least 95% of invoices within 60 days. The Group predominately trades through two statutory entities that operate as main contractors and which report their payment performance externally. For the six-month period ending 31 December 2021, Wates Construction Limited has paid 96% of its invoices within 60 days (H2 2020: 97%) and Wates Property Services Limited has paid 98% of its invoices within 60 days (H2 2020: 98%).

Additional activities oriented towards ensuring strong relationships with stakeholders are detailed in the Section 172 Report on pages 78 to 82.

Group engagement with stakeholders in 2021 was more important than ever as many of the decisions made by the Board had direct implications for them, and in particular for its employees. Stakeholder engagement is discussed in detail within the Section 172 Companies Act 2006 report on pages 78 to 82.

The role of the Board

The Board's primary responsibility is to promote the long-term success of the Group so that it fulfils its purpose, creates sustainable shareholder value and makes a lasting contribution to society. The Board seeks to achieve this by setting out its strategy, monitoring performance against its strategic objectives, and reviewing the Executive Committee's implementation of the strategy.

A formal schedule of matters reserved for Board approval is maintained and reviewed regularly. This includes a determination of the Group's strategy and long-term direction, a review of health and safety performance, approval of budgets, capital expenditure, organisational changes (including new business ventures and the acquisition or disposal of assets) and changes in key policies. The Board also monitors the effectiveness of the Group's systems of internal control, governance and risk management.

The Board delegates authority for all day-to-day management of the Group's affairs to the Executive Committee. In addition, certain governance responsibilities are delegated to Board committees, which support the Board in carrying out its duties. These committees are made up of independent non-executive directors, together with non-executive directors from the Wates family and provide the Board with independent oversight.

COMMITTEE INFORMATION

Group Board

Details of individual directors' attendance of Board meetings in 2021 are shown in the following table:

NAME OF DIRECTOR	MAXIMUM NO. OF PRINCIPAL BOARD MEETINGS DIRECTOR COULD ATTEND	NO. OF PRINCIPAL BOARD MEETINGS DIRECTOR ATTENDED	PERCENTAGE OF PRINCIPAL BOARD MEETINGS ATTENDED
Chairman			
Sir James Wates	6	6	100%
Executives			
David Allen, Chief Executive	6	6	100%
Philip Wainwright, Chief Financial Officer	6	6	100%
Paul Chandler, Executive Managing Director Wates Construction Group	6	5	83%
Non-Executives – Family			
Andrew Wates	6	6	100%
Charles Wates	6	6	100%
Jonathan Wates	6	6	100%
Timothy Wates	6	6	100%
Non-Executives – Independent			
Susan Harris	6	6	100%
Jeremy Newsum	6	6	100%
Jonathan Oatley	6	6	100%

Audit Committee

The Audit Committee's primary responsibilities are: the integrity of the Group's financial statements; the effectiveness of internal controls; the performance of the internal audit function; the performance and independence of the external auditors; and the Group's compliance with legal and regulatory requirements.

The Committee has clearly defined terms of reference, which are reviewed annually and maintained by the Company Secretary. These outline the Committee's objectives and responsibilities relating to financial reporting, internal controls, risk management, and the application of appropriate accounting standards and procedures. Specific responsibilities include reviewing and recommending for approval the annual financial statements, reviewing the Group's accounting policies, reviewing the effectiveness of internal controls, internal audit and risk management processes and reviewing the scope and results of the external audit.

Susan Harris, a chartered management accountant, is Chair of the Audit Committee. During the year the Committee comprised two other Non-Executive directors: Andrew Wates, a director of the Wates family (who replaced Timothy Wates on the Committee from 9 March 2021); and Jonathan Oatley, an Independent non-executive director. The Committee was supported by a number of Board and senior management attendees. The Board is satisfied that the recent and relevant financial experience and sector knowledge of both the Committee Chair and the Committee's members during 2021 followed the principles of good governance in relation to their collective skills, knowledge and experience. The Committee approves the internal audit plan of work annually and approves any changes to that plan as may be required throughout the reporting period. The Committee is satisfied that the Internal Audit team is appropriately resourced.

External Auditors

The Group appointed BDO LLP as external auditors on 1 November 2019. The Committee assesses the effectiveness of the external auditors’ performance after the completion of the annual audit, including an assessment of their governance, independence and professionalism. In July 2021, the Committee evaluated the external auditors’ performance in relation to the 2020 audit. Both management and the external auditors are committed to a positive working relationship that enhances the effective and efficient execution of the audit plan. The Audit Committee re-tenders the external audit service at least every ten years, in accordance with good practice.

As a private company, the Group is not subject to external restrictions in terms of the non-audit work that is provided by the external auditors, but for good governance it has chosen to implement its own policy in relation to their remuneration and the extent of their non-audit services.

Remuneration Committee

The Committee’s primary objective is to set remuneration at a level that will enhance the Group’s resources by attracting, retaining and motivating quality senior management who can deliver the Group’s strategic ambitions within a framework that is aligned with shareholder interests.

The Committee firmly believes that the best people, remunerated effectively, with an emphasis on performance-related pay, strengthen the Group’s ability to face challenges emanating from economic and market changes and help it deliver long-term sustainable value for all stakeholders.

In 2021, the Remuneration Committee comprised three non-executive directors and was chaired by Jonathan Oatley. Members of the Committee during the year included Jeremy Newsum, Independent Non-Executive Director and Timothy Wates, a director from the Wates family (who replaced Andrew Wates from 9 March 2021), supported by members of the Board.

Nominations Committee

The Board operates a Nominations Committee to ensure that it remains balanced and effective, that succession plans are in place and that its structure, composition and skillset remain aligned to the Group’s strategic objectives. The Committee’s primary objective is to identify and evaluate candidates for future appointments and, in doing so, it takes advice from independent external recruitment consultants. In 2021, the Committee was Chaired by Sir James Wates and comprised six members, of which three were independent non-executive directors (Susan Harris, Jonathan Oatley and Jeremy Newsum) and three were family directors (Sir James Wates, Timothy Wates and Andrew Wates).

Sustainability Committee

The Committee brings oversight and challenge to the Group’s corporate responsibility programmes and explores the impact and opportunities that global trends might bring to the built environment sector. In 2021, the Committee was chaired by Jonathan Wates, a non-executive director from the Wates family, and its members included Susan Harris, an independent non-executive director, the Chief Executive and Chief Financial Officer, with invitations extended to the Group Safety, Health, Environment, Quality and Sustainability Director, the Group Public Sector Director and other key members of the management team.

Executive Committee

The Executive Committee is responsible for the day-to-day management of the Group’s business affairs. It is led by and chaired by the Chief Executive. The Committee is responsible for ensuring that the agreed strategy is implemented in a timely and effective manner.

The Executive Committee consists of individuals responsible for the strategic business units and key functions. A list is on page 64 and a biography for each Executive Committee member can be found on the Group’s website www.wates.co.uk.

Directors’ report

The directors present their Annual accounts and reports for the year ending 31 December 2021. This report must be read in conjunction with the ‘Strategic report’ on pages 68 to 82.

Principal activities

The Company continues its activities and roles, including the financing of the Group’s activities, acting as holding Company for its subsidiaries and associates and active management of many of the Group’s joint Ventures.

Dividends

The directors declared dividends in 2021 totalling £3,380,300 (2020: £7,419,911). These were paid on 19 November 2021. No further dividends have been declared in the year ended 31 December 2021.

Health and safety

The Board remains committed to the effective management and monitoring of health and safety and to providing a safe working environment for all employees and partners and to keeping members of the public free from harm. The Group’s ‘Zero Harm’ campaign ‘we’re safer together’ remains a key strategic priority to further enhance the Group’s health and safety performance and to develop the leadership skills and behaviours required to achieve a positive and high performing culture.

Employees

The Group recognises the importance of engaging employees to help them make their fullest contribution to the business. The Group views this as fundamental to achieving its strategy and long-term objectives. The Group uses a variety of media to inform employees about development and prospects and seeks out and listens to employees’ views and opinions at all times.

The Group’s roadshow events, which are open to all employees, is the mechanism through which the Chief Executive informs and updates staff on its performance, plans and future outlook and provides employees with an opportunity to ask questions, or to seek clarification, on the Group’s purpose, goals and direction. There were two roadshows during 2021, both of which were broadcast online (as a result of COVID-related restrictions).

A biannual employee survey is undertaken to allow colleagues to provide honest feedback about their experience working at Wates. Twice a year, the Group’s senior leadership team convenes to share knowledge, disseminate good practice and to discuss strategic priorities. Informal meetings are held at business unit and regional levels and further communication is effected through the use of a group-wide intranet and enterprise social network, electronic bulletins, notice boards, social media, the Group’s website and blogs from contributors from all parts of the Group.

The Group is committed to improving the skills of employees through training and development and by nurturing a culture in which employees feel valued for their contribution and motivated to achieve their full potential. Statistics relating to the average number of people employed by the Group during the year can be found in note 6 to the accounts.

Equal opportunities

The Group is an active equal opportunities employer and promotes an environment free from discrimination, harassment or victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

The Group has for many years focused on fostering a diverse and inclusive working environment and has implemented specific development programmes to assist business leaders to engage further with their teams and to demonstrate the contribution that each individual can make to the success of the Group. The Group is committed to growing a diverse pool of talent for the purpose of long-term succession planning.

The Group is committed to being actively and consistently anti-racist and has a zero tolerance approach to racism in all of its workplaces and in everything it does.

The Group gives full and fair consideration to applications for employment made by disabled people and encourages and assists the recruitment, training, career development and promotion of disabled people. The Group endeavours to retain and adjust the environment of employees who become disabled during the course of their employment.

Corporate responsibility

Corporate responsibility continues to remain an integral part of the Group’s business and long-term strategic aspirations. The Group’s approach, priorities and objectives in the corporate responsibility arena, specific to the environment and communities in which it works, are published, communicated and embedded within the business as part of the Group’s overarching strategic objectives.

Research and development

The Group is dedicated to the research and development of innovative construction methods and techniques, focusing on areas such as enhanced safety, project delivery, the development and integration of new materials and working techniques, energy efficiency and information modelling.

Share capital

Details of the Company's share capital are set out in note 21 to the accounts.

Articles of Association

The Company's Articles of Association may be amended by a special resolution of the Company's shareholders. The current Articles were adopted by shareholders on 6 May 2021.

Conflicts of interest

The Company's Articles permit the Board to consider and, if deemed fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company. In the event that a director becomes aware that they have an interest that may arise in a conflict they are required to notify the Board in writing. Internal controls are in place to ensure that any related party transactions involving directors are conducted on an arm's length basis. Directors have a continuing duty to update changes to these conflicts. The Board considers that the procedures in place for reporting and considering conflicts of interest are effective.

Directors' and officers' indemnities and insurance

The Company's Articles of Association provide for the indemnification of its directors and the Company Secretary to the extent permitted by the Companies Act 2006 and other applicable legislation, out of the assets of the Company, in the event that they incur certain expenses in connection with the execution of their duties. In addition, and in common with many other companies, the Company has directors' and officers' liability insurance, in respect of certain losses or liabilities to which officers of the Company may be exposed in the discharge of their duties.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Sir James G. M. Wates, CBE (Chairman)

David O. Allen (Chief Executive)

Philip M. Wainwright (Chief Financial Officer)

Paul Chandler (Executive Managing Director Wates Construction Group)

Susan E. Harris

Jeremy H.M. Newsum

Jonathan M. Oatley

Andrew E. P. Wates

Charles W. R. Wates

Jonathan G. M. Wates

Timothy A. D. Wates

Donations

During the year the Group made charitable donations amounting to £0.8m (2020: £0.9m). No political donations have been made.

Going concern

The directors have reviewed the forecast future performance of the Group and have prepared a cash flow forecast for 12 months from the date of approval of these financial statements. The Board considers it has sufficient cash reserves to continue trading, whilst meeting the financial covenants set within its banking facilities.

Accordingly, the directors continue to adopt the going concern basis in preparing the Group's accounts. Further details regarding the adoption of the going concern basis can be found in note 1 to the accounts.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Annual general meeting

The 2022 Annual general meeting of the Company will be held on Thursday 5 May 2022.

Streamlined Energy and Carbon Report

The Streamlined Energy and Carbon Report is presented on page 55.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Approved by the Board of Directors on 9 March 2022 and signed on its behalf by:

P. M. Wainwright
Secretary

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Accounts 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 and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in UK and Republic of Ireland' 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 Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements 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.

The directors are responsible for the maintenance and integrity of the ultimate parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Wates Group Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of its 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.

We have audited the financial statements of Wates Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled out other ethical responsibilities in accordance with those requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. Our audit procedures were designed at Group and significant component levels to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, financial reporting legislation, the Companies Act 2006, distributable profits legislation and UK pensions and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, review of board and committee meeting minutes, enquiries with management, enquiries of external legal advisors, review of correspondence with external legal advisors and review of external press releases.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with unusual account combinations or posted by senior management. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, the valuation of investment properties and defined benefit pension scheme accounting.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Charles Ellis
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Charles Ellis (Senior Statutory Auditor)

for and on behalf of BDO LLP,
Statutory Auditor
London, UK

9 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated profit and loss account

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	STATUTORY 2021 £000s	UNDERLYING 2020 £000s	EXCEPTIONAL (NOTE 4) 2020 £000s	STATUTORY 2020 £000s
Turnover:					
Group and share of joint ventures and associates		**1,626,026**	1,449,247	-	1,449,247
Less share of turnover of joint ventures and associates		**(103,775)**	(66,390)	-	(66,390)
Group statutory turnover	2	**1,522,251**	1,382,857	-	1,382,857
Cost of sales		**(1,340,399)**	(1,239,138)	(13,723)	(1,252,861)
Gross profit/(loss)		**181,852**	143,719	(13,723)	129,996
Administrative expenses		**(154,500)**	(133,262)	(5,429)	(138,691)
Net deficit on revaluation of investment properties		**(1,596)**	(2,510)	-	(2,510)
Other operating income	3	**894**	-	7,727	7,727
Group operating profit/(loss)	5	**26,650**	7,947	(11,425)	(3,478)
Share of post-tax profit from joint ventures and associates		**7,662**	2,537	-	2,537
Total operating profit/(loss): Group and share of joint ventures and associates		**34,312**	10,484	(11,425)	(941)
Analysed between:					
Total operating profit/(loss) before interest and tax		**40,020**	16,038	(11,425)	4,613
Net interest payable – joint ventures and associates		**(4,258)**	(4,706)	-	(4,706)
Taxation – joint ventures and associates		**(1,450)**	(848)	-	(848)
Interest payable and similar charges	8	**(2,540)**	(3,116)	-	(3,116)
Interest receivable	8	**4,130**	4,896	-	4,896
Profit/(loss) before taxation		**35,902**	12,264	(11,425)	839
Analysed between:					
Profit/(loss) before taxation and before taxation of joint ventures and associates		**37,352**	13,112	(11,425)	1,687
Taxation – joint ventures and associates		**(1,450)**	(848)	-	(848)
Taxation on profit/(loss)	9	**(6,793)**	(1,456)	2,171	715
Profit/(loss) for the financial year		**29,109**	10,808	(9,254)	1,554

The above results have been derived from continuing operations.

Consolidated statement of comprehensive income/(expense)

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 £000s	2020 £000s
Profit for the financial year		**29,109**	1,554
Currency translation difference on foreign currency net investment		**(24)**	117
Remeasurement of net defined benefit liability	25	**10,820**	(6,305)
		10,796	(6,188)
Tax relating to components of other comprehensive income	25	**(1,396)**	1,673
Other comprehensive income/(expense) for the year		**9,400**	(4,515)
Total comprehensive income/(expense) for the year		**38,509**	(2,961)

The profit and total comprehensive income/(expense) for the financial years set out above is all attributable to equity shareholders of the Company.

Consolidated balance sheet

AT 31 DECEMBER 2021

	NOTES	2021 £000s	2020 £000s
Fixed assets			
Intangible assets - goodwill	10	**41,582**	45,059
Tangible assets	11	**69,517**	74,318
Investments in joint ventures and associates	12	**104,989**	118,153
Other investments	12	**292**	366
		216,380	237,896
Current assets			
Stocks	13	**75,086**	40,612
Debtors			
– due within one year	14	**288,122**	239,315
– due after one year	14	**24,287**	32,215
		312,409	271,530
Cash at bank and in hand	15	**228,719**	215,947
		616,214	528,089
Creditors: amounts falling due within one year	16	**(579,656)**	(514,004)
Net current assets		**36,558**	14,085
Total assets less current liabilities		**252,938**	251,981
Creditors: amounts falling due after more than one year	17	**(51,952)**	(69,522)
Provisions for liabilities	18	**(23,846)**	(40,448)
Net assets		**177,140**	142,011
Capital and reserves			
Called up share capital	21	**14,777**	14,777
Share premium account	21	**956**	956
Capital redemption reserve	21	**17,447**	17,447
Profit and loss account	21	**143,960**	108,831
Shareholders' funds		**177,140**	142,011

The notes on pages 100 - 124 form part of these accounts.

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 9 March 2022 and signed on its behalf by:

Sir James G. M. Wates CBE
Chairman

D. O. Allen
Chief Executive

Company balance sheet

AT 31 DECEMBER 2021

	NOTES	2021 £000s	2020 £000s
Fixed assets			
Investments	12	**124,147**	144,622
Current assets			
Debtors			
– due within one year	14	**94,053**	53,809
– due after one year	14	**1,714**	1,655
		95,767	55,464
Cash at bank and in hand		**93,948**	7,938
		189,715	63,402
Creditors: amounts falling due within one year	16	**(168,028)**	(120,051)
Net current assets/(liabilities)		**21,687**	(56,649)
Total assets less current liabilities		**145,834**	87,973
Creditors: amounts falling due after more than one year	17	**(33,960)**	(44,911)
Net assets		**111,874**	43,062
Capital and reserves			
Called up share capital	21	**14,777**	14,777
Share premium account	21	**956**	956
Capital redemption reserve	21	**17,447**	17,447
Profit and loss account	21	**78,694**	9,882
Shareholders' funds		**111,874**	43,062

The notes on pages 100 - 124 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £72,192,000 (2020: £2,950,000). This includes dividends received from subsidiaries and joint ventures of £76,000,000 (2020: £5,743,000).

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 9 March 2022 and signed on its behalf by:

Sir James G. M. Wates CBE
Chairman

D. O. Allen
Chief Executive

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	CALLED UP SHARE CAPITAL £000s	SHARE PREMIUM ACCOUNT £000s	CAPITAL REDEMPTION RESERVE £000s	PROFIT AND LOSS ACCOUNT £000s	TOTAL EQUITY £000s
At 31 December 2019	**14,777**	**956**	**17,447**	**119,212**	**152,392**
Profit for the financial year	**-**	**-**	**-**	**1,554**	**1,554**
Currency translation difference on foreign currency net investment	-	-	-	117	117
Remeasurement of net defined benefit liability	-	-	-	(6,305)	(6,305)
Tax relating to items of other comprehensive income	-	-	-	1,673	1,673
Total comprehensive expense	**-**	**-**	**-**	**(2,961)**	**(2,961)**
Dividends declared on equity shares	-	-	-	(7,420)	(7,420)
At 31 December 2020	**14,777**	**956**	**17,447**	**108,831**	**142,011**
Profit for the financial year	**-**	**-**	**-**	**29,109**	**29,109**
Currency translation difference on foreign currency net investment	-	-	-	**(24)**	**(24)**
Remeasurement of net defined benefit liability	-	-	-	**10,820**	**10,820**
Tax relating to items of other comprehensive income	-	-	-	**(1,396)**	**(1,396)**
Total comprehensive income	**-**	**-**	**-**	**38,509**	**38,509**
Dividends declared on equity shares	-	-	-	(3,380)	(3,380)
At 31 December 2021	**14,777**	**956**	**17,447**	**143,960**	**177,140**

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	CALLED UP SHARE CAPITAL £000s	SHARE PREMIUM ACCOUNT £000s	CAPITAL REDEMPTION RESERVE £000s	PROFIT AND LOSS ACCOUNT £000s	TOTAL EQUITY £000s
At 31 December 2019	**14,777**	**956**	**17,447**	**14,352**	**47,532**
Total comprehensive income	**-**	**-**	**-**	**2,950**	**2,950**
Dividends declared on equity shares	-	-	-	(7,420)	(7,420)
At 31 December 2020	**14,777**	**956**	**17,447**	**9,882**	**43,062**
Total comprehensive income	**-**	**-**	**-**	**72,192**	**72,192**
Dividends declared on equity shares	-	-	-	(3,380)	(3,380)
At 31 December 2021	**14,777**	**956**	**17,447**	**78,694**	**111,874**

The total comprehensive income of the company for each of the two years ended 31 December is its profit for those financial years.

Consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 £000s	2020 £000s
Net cash inflow from operating activities	22	**1,778**	52,187
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**-**	4
Proceeds from sale of properties with equity loans		**103**	22
Purchase of tangible fixed assets		**(4,434)**	(3,104)
Amounts paid to joint ventures		**(92,219)**	(14,246)
Amounts received from joint ventures		**115,862**	23,325
Dividends received from joint ventures		**62**	-
Net cash inflow from investing activities		**19,374**	6,001
Cash flows from financing activities			
Equity dividends paid		**(3,380)**	(7,420)
Bank loans borrowed		**-**	143,000
Bank loans repaid		**(5,000)**	(120,000)
Net cash (outflow)/inflow from financing activities		**(8,380)**	15,580
Net increase in cash and cash equivalents		**12,772**	73,768
Cash and cash equivalents at the beginning of the year		**215,947**	142,179
Cash and cash equivalents at the end of the year		**228,719**	215,947

Notes to the accounts

1. ACCOUNTING POLICIES

The principal accounting policies, which have all been applied consistently throughout the year and the preceding year, are set out below.

i) General information and basis of accounting

Wates Group Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 67. The nature of the Group's operations and its principal activities are set out in the Strategic report.

These accounts have been prepared under the historical cost convention, modified by the revaluation of investment properties, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Wates Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Wates Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate accounts, which are presented alongside the consolidated accounts. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

In accordance with Section 408 of the Companies Act 2006, no separate profit and loss account has been presented for the company. However, the profits for the year and the prior year have been disclosed with the company balance sheet.

ii) Basis of consolidation

The consolidated accounts include the accounts of Wates Group Limited and its subsidiary undertakings up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the accounts of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these accounts in respect of business combinations effected prior to the transition to FRS 102 on 1 January 2014.

iii) Going concern

The activities of the Wates Group, along with the factors that may affect its future performance and position are set out in the Directors' report.

As at 31 December 2021, the Group had cash of £228.7m, including debt under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) of £45.0m, access to £120.0m of undrawn bank facilities (through the Group's £120.0m Revolving Credit Facility (RCF) which expires in mid-March 2023) and a strong forward secured order book which underpins the forecast for 2022. The Directors regularly review the working capital requirements of the Group as part of reviewing scenarios that test a range of sensitivities to future performance.

The Directors have reviewed the forecast performance of the Group based on their current expectations about the future. This expectation draws on management's understanding of each sector that the Group operates in and anticipates a continuation of the current level of activity across the Group. Turnover levels are forecast to continue to increase throughout 2022 and to exceed pre-Covid levels. Within these forecasts, a significant proportion of the Group's revenue is already secured.

The Group has prepared a cash flow forecast for 12 months from the date of approval of these financial statements and the Group considers it has sufficient cash reserves to continue trading, whilst meeting the financial covenants set within its RCF and CLBILS facilities. The Group is not forecasting any need to draw down on its £120m RCF in the next 12 months.

The Group recognises the economic and trading uncertainties resulting from the pandemic and has deemed it appropriate to consider a range of potential scenarios of escalating impact and duration. Some reasonable downside scenarios include: a significant contract loss, a reduction in contracting turnover similar to that experienced in 2020, an increase in costs without any client recovery, and reductions in prices for both housing and land sales. The Group does not consider a prolonged shut down of construction or contracting activities as a likely scenario as these activities have continued throughout each of the national lockdowns. The Group's cash has remained resilient throughout 2021 and it has not utilised any of its RCF throughout this period. Whilst the cash flow impacts of these scenarios are materially different to the current forecast, the Group's forecast and reasonable worst case scenarios indicate that it would be able to continue trading for at least 12 months from the date of approval of the financial statements.

After making enquiries and considering the factors and sensitivities outlined above for a range of scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

iv) Turnover

Turnover represents the value of work done on contracting activities, which is recognised on a percentage of completion basis with reference to costs incurred to date as a proportion of total costs, rendering of services which is recognised as the service is performed, sales of residential properties and development properties that are legally completed within the year, sales of land on which unconditional exchange of contracts has taken place by the year end and other fees receivable. Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term.

Turnover excludes the value of intra-group transactions and value added tax. The Group's share of turnover of joint ventures and associates is disclosed separately in the consolidated profit and loss account.

v) Pre-contract costs

Tender costs on construction contracts are written off to the profit and loss account up until the point it is probable that the Group will be awarded the contract. For certain large multi-year frameworks, pre-contract costs are capitalised where it is sufficiently probable that the contract will be obtained.

vi) Exceptional items

Section 5 of FRS 102 requires material items to be separately disclosed in a way that enables the users of the accounts to understand the entity's financial performance. These items are commonly referred to as 'exceptional' items. In order to provide users with a clear and consistent presentation of the underlying financial performance of the Group, it has separately identified items that are considered to be exceptional because of their size or non-recurring nature.

vii) Government grants

Government grants are recognised once there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grant will be received. During the 2020 year the Group received a Coronavirus Job Retention Scheme grant which was accounted for under the performance model. Amounts received are disclosed within Other operating income in the Consolidated profit and loss account.

viii) Research and development

Research and development costs are written off as incurred.

ix) Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life (20 years). The useful life of goodwill is based on the long-term nature of the contracts and history of the subsidiary undertakings and businesses acquired. Provision is made for any impairment.

x) Tangible fixed assets and depreciation

Investment properties are measured at fair value annually with any change recognised in the profit and loss account. Depreciation is not provided in respect of freehold investment properties.

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on the following tangible fixed assets in equal annual instalments over the estimated useful lives of assets so as to write off the cost less the estimated residual values over the following periods:

Leasehold improvements	**period of lease**
Plant and equipment	**2 to 10 years**
Business systems software	**2 to 10 years**

Business systems software is capitalised as plant and equipment when the software is an integral part of management's intended use for the related hardware.

xi) Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(a) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price.

Non-current debt instruments, which meet the conditions set out in paragraph 11.9 of FRS 102, are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate and are classified as payable or receivable within one year and which meet the above conditions are initially measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

(b) Investments

Equity loans and unquoted investments are stated at cost less impairment.

(c) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs. Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as an appropriation of profits.

xii) Joint ventures and associates

A joint venture is a jointly controlled entity in which the Group holds a long-term interest with one or more other parties where a contractual arrangement has established joint control over the entity. An associate is an undertaking in which the Group has a long-term interest, usually from 20 per cent to 50 per cent of the equity voting rights and over which it exercises significant influence.

In the Group accounts, investments in joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are initially recognised at the transaction price (including transaction costs), including advances, and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture or associate. Goodwill arising on the acquisition of joint ventures or associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in joint ventures or associates.

Where the Group trades with a joint venture or associate, the proportion of turnover and profit in respect of the proportion of the joint venture or associate owned by the Group is eliminated on consolidation. Such turnover and profit is taken when the assets purchased by the joint venture are sold by it.

In the Company's accounts, investments, including those in joint ventures and associates, are accounted for at cost less impairment.

xiii) Stocks

Stocks are stated at the lower of cost, including attributable overheads, and estimated selling price less costs to sell, which is equivalent to net realisable value.

xiv) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account immediately.

Non financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part.

Where indicators exist for a decrease in impairment loss on assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment is reversed to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the estimated value of the future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

xv) Contracts

The principal estimation technique used by the Group in attributing profit on contracts to a particular accounting period is the preparation of forecasts on a contract-by-contract basis. These focus on costs to completion and enable an assessment to be made of the final out-turn on each contract. Consistent contract review procedures are in place in respect of contract forecasting.

Profit on contracts is only recognised when the Group is satisfied that the risks on a contract have been mitigated to a suitable level so that the forecast profit can be measured reliably. As a number of risks are not mitigated until a contract has been successfully delivered and final accounts are agreed, an element of profit is not recognised on contracts until the contract is nearing completion. Provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

As certain agreements can run over a considerable number of years and cover a number of individual separable projects, the agreement is treated as a number of individual projects. Each individual project then follows the Group accounting policies for the type of activity being delivered.

Variations and claims are recognised once there is sufficient certainty over the probability that they will be received and the amount to be received can be measured reliably.

For contracts that are delivered as a service and when the services performed are an indeterminate number of acts over a specified period of time (for example for services such as responsive maintenance and facilities management), revenue is recognised on a straight line basis. For responsive maintenance contracts where the contract can be split into individual separable projects (and revenue can be directly attributed to that project), each project is accounted for on a percentage completion basis.

Amounts recoverable on contracts which are included in debtors are stated at cost, plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments. Costs for this purpose include valuation of all work done by subcontractors, whether certified or not, and all overheads other than those relating to the general administration of the relevant companies. For any contracts where receipts exceed the book value of work done, the excess is included in creditors as payments on account.

xvi) Residential developments

For residential development, profits are recognised on a site-by-site basis by reference to the expected out-turn result for each site. Profit is recognised on the basis of actual property sales to date, compared to forecast final sales and the total actual and forecast costs for each development site.

xvii) Taxation

Current tax is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

Where the amount attributed for tax purposes to assets (other than goodwill) and liabilities that are acquired in a business combination differs from their fair value, deferred tax is recognised to reflect the future tax consequences, with a corresponding adjustment to goodwill.

Deferred tax is measured using the tax rates and laws that have been announced, enacted or substantively enacted by the balance sheet date. The tax expense or income is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends to settle on a net basis.

Research and development credits receivable are included in operating profit and are taxed within current tax. Current tax is then paid net of research and development credits receivable.

xviii) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

xix) Retirement benefits

The Group operates a defined benefit pension scheme providing benefits based on pensionable pay, which is closed to future accrual and new entrants with only 5 active members continuing to be calculated on a CARE (Career Average Revalued Earnings) basis.

For the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit and loss and included within net interest. Actuarial gains and losses are recognised immediately in other comprehensive income.

The assets of the defined benefit scheme are held separately from those of the Group in trustee administered funds. Scheme assets are measured at fair value and liabilities are measured on an actuarial basis using a projected unit method. Actuarial valuations are obtained triennially from an independent qualified actuary and are updated at each year end.

In the ordinary course of business, the Group sometimes transfers employees (TUPE) and takes on obligations relating to local government pension schemes. The largest scheme in which a subsidiary of the Group participates, in respect of certain employees, is the West Midlands Pension Fund, a defined benefit scheme administered by the City of Wolverhampton Council for employees of approximately 600 active employers. This scheme is part of the Local Government Pension Scheme. Sufficient information is not available for the Group to use defined benefit accounting and so the Group accounts for this scheme as a defined contribution plan. Information about the scheme is disclosed in the accounts of the City of Wolverhampton Council on www.wolverhampton.gov.uk and in the accounts of the scheme, available on www.wmpfonline.com.

The Group also operates defined contribution schemes. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

xx) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets are translated at the rates of exchange at the balance sheet date. Exchange differences arising on the translation of opening net assets and on the results of overseas operations are reported in other comprehensive income and accumulated in equity.

Other exchange differences are recognised in the profit and loss account in the period in which they arise.

xxi) Dividends

Dividends to the Company's shareholders are recognised when dividends are approved for payment.

xxii) Significant areas of judgement and uncertainty

The preparation of accounts requires the Group to make estimates and assumptions that affect items reported. Such estimates and assumptions are based on management's best knowledge of current facts, circumstances and future events. Actual results may differ, possibly significantly, from those estimates. The areas requiring a high degree of judgement or where assumptions and estimates are significant to the accounts are discussed below.

Estimates

The estimates and associated assumptions used in the preparation of the accounts are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The most critical accounting policies and significant areas of judgement and estimation arise from the accounting for contracts, assessments of the carrying value of residential land and development assets (see note 13), the valuation of investment property (see note 11), the recognition of provisions and contingencies (see notes 18 and 26) and the assumptions used in the accounting for the defined benefit pension scheme (see note 25).

a) Accounting for contracts

Contract accounting requires estimates to be made for contract costs and income. In many cases, these contractual obligations span more than one financial period. Also the costs and income may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved.

Management bases its estimation of costs and income and its assessment of the expected outcome of each contractual obligation on the latest available information, which includes detailed contract valuations and forecasts of the costs to complete. The estimates of the contract position and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates is then reflected in the accounts.

b) Carrying value of residential land and development assets

The carrying value of the residential land and development assets of the Group and its joint ventures is supported by detailed viability reviews, which are updated regularly.

c) Valuation of investment property

The annual valuation of investment properties is carried out by an independent chartered surveyor (at least once every three years) or by a director of a subsidiary who is a Fellow of the Royal Institution of Chartered Surveyors, to the required standard for such valuations. Assumptions on which the valuations have been based include, but are not limited to, matters such as tenure and tenancy details, ground conditions and the structural condition of the properties, prevailing market yields and comparable market transactions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income from that property.

d) Provisions and contingencies

In the event of the Group making a loss on a contract, provision is made for all losses that are foreseen in bringing contract to completion. This will often include an estimate of the outcome of claims with our customers and/or our supply chain which are inherently uncertain.

Provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. The Group exercises judgement in recognising provisions and the exposure to contingencies. Judgement is necessary to assess the likelihood that a liability will arise and to quantify the possible amount of any out flow of resources. Where the valuation of a provision for rectification work assumes costs of rectifications as well as recoveries from clients or insurers, estimates are based on historical costs incurred for the expected work required as well as recoveries based on outcomes achieved on similar contract positions. The inherent uncertainty of such matters means that actual amounts of transactions may differ materially from estimates made. Any difference between the amounts previously recognised and the actual amount is recognised immediately in the consolidated profit and loss account.

e) Defined benefit pension schemes

Defined benefit pension schemes require significant judgements in relation to the assumptions for inflation, future pension increases, investment returns and member longevity that underpin the valuation. Each year in selecting the appropriate assumptions, the directors take advice from an independent qualified actuary and the relevant assumptions are set out in a note to the accounts.

Judgements

The Group considers Going Concern as an area of judgement and has included specific disclosure in relation to this within note 1 (iii). In light of the current liquidity and forecasts, this is not considered a significant judgement.

2. GROUP STATUTORY TURNOVER

ANALYSIS OF STATUTORY TURNOVER BY CLASS OF BUSINESS	2021 £000s	2020 £000s
Construction	**771,926**	808,260
Residential	**249,272**	149,948
Developments	**24,998**	4,281
Property Services	**472,868**	416,770
Other	**3,187**	3,598
	1,522,251	1,382,857

ANALYSIS OF STATUTORY TURNOVER BY TYPE	2021 £000s	2020 £000s
Construction contracts	**1,269,063**	1,155,711
Rendering of services	**172,706**	164,757
Sale of land and residential properties	**77,295**	58,791
Rental/licence fee income	**3,187**	3,598
	1,522,251	1,382,857

Group statutory turnover is materially within the United Kingdom.

3. OTHER OPERATING INCOME

	2021 £000s	2020 £000s
Compensation income	**894**	-
Coronavirus Job Retention Scheme grant income (note 4)	**-**	7,727
	894	7,727

4. EXCEPTIONAL ITEMS

Group operating profit/(loss) has been arrived at after recognising the following items that are considered to be exceptional because of their size or non-recurring nature:

	2021 £000s	2020 £000s
Coronavirus Job Retention Scheme grant income	-	7,727
Furlough costs	-	(12,471)
Restructuring costs	-	(6,681)
	-	(11,425)

No exceptional costs were incurred by the Group in 2021.

In 2020, Coronavirus Job Retention Scheme grant income was government grant income received under the Coronavirus Job Retention Scheme in respect of furloughed employees. All amounts were received in cash during that year.

Furlough costs consisted of salary costs made to staff whilst on furlough who were therefore not performing any services for the Group. The cost incurred in 2020 included salary costs paid to staff in excess of the Coronavirus Job Retention Scheme grant income. In that year £8,989,000 of the furlough costs were recognised within cost of sales and £3,482,000 were included within administrative expenses.

Restructuring costs incurred in 2020 consisted of the cost of redundancy (e.g. settlement agreements, PILONs and redundancy payments) associated with the Group redundancy programme which was announced in May 2020 where 268 employees left the Group across various business units and functions. The redundancy programme was instigated as a direct consequence of the Group's response to the pandemic. In that year £4,734,000 of the restructuring costs were recognised within cost of sales and £1,947,000 were included within administrative expenses.

5. GROUP OPERATING PROFIT/(LOSS)

	2021 £000s	2020 £000s
This is stated after charging		
Amortisation of goodwill	3,477	3,477
Auditors' remuneration*		
- audit of these accounts	40	33
- audit of subsidiaries' accounts	406	344
- non-audit services	3	-
Cost of stock recognised as an expense	57,180	54,261
Depreciation of tangible fixed assets		
(including loss on disposal £51,000 (2020: £30,000))	7,639	6,623
Foreign exchange loss	2	85
Hire of plant and machinery	3,556	5,168
Operating lease rentals	8,782	8,433
Charitable donations	841	879
Research and development credits	(1,408)	(1,552)
Research and development costs	9,335	8,149

* Excludes fee payments made through joint ventures

6. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2021 NUMBER	2020 NUMBER
Operations	2,443	2,463
Administration	1,367	1,226
	3,810	3,689

The aggregate payroll costs for the Group were as follows:

	2021 £000s	2020 £000s
Wages and salaries	227,999	198,939
Social security costs	25,944	22,664
Other pension costs	19,684	20,087
	273,627	241,690

The pension operating cost for the year was £1,683,000 (2020: £1,044,000) in respect of defined benefit arrangements and £18,001,000 (2020: £19,043,000) in respect of defined contribution arrangements.

There are no employees of the Company.

7. REMUNERATION OF DIRECTORS

		2021 £000s	2020 £000s
Directors' emoluments	– executive and family directors	2,747	2,172
	– independent non-executive directors	204	202
Amounts receivable under long-term incentive scheme		2,294	-
Contributions to money purchase pension schemes		8	40
		5,253	2,414

Three (2020: three) directors have benefits accruing under a money purchase pension scheme.

		2021 £000s	2020 £000s
Highest paid director	– emoluments	614	540
	– amounts receivable under long-term incentive scheme	967	-

8. NET INTEREST RECEIVABLE

	2021 £000s	2020 £000s
Interest payable and similar charges		
Bank interest	**(1,079)**	(1,894)
Bank charges	**(1,192)**	(707)
Other interest	**(41)**	(85)
Net interest on defined benefit liability	**(228)**	(430)
Interest payable and similar charges	**(2,540)**	(3,116)
Interest receivable		
Bank	**36**	209
Other	**4,094**	4,687
Interest receivable	**4,130**	4,896

Other interest receivable includes amounts from Joint ventures of £3,707,000 (2020: £4,291,000) which is also included within interest payable by joint ventures disclosed on the face of the Consolidated profit and loss account.

9. TAXATION ON PROFIT/(LOSS)

a) Analysis of the charge/(credit) in the year

	2021 £000s	2020 £000s
Current tax		
UK corporation tax on the profit for the year	**3,640**	(342)
Adjustments in respect of prior years	**(464)**	(416)
Total current tax	**3,176**	(758)
Deferred tax		
Origination and reversal of timing differences	**2,665**	498
Adjustments in respect of prior years	**1,605**	134
Impact of change in tax rate	**(653)**	(589)
Total deferred tax	**3,617**	43
Total tax on profit	**6,793**	(715)

During the year beginning 1 January 2022, the net reversal of deferred tax assets is not expected to increase the corporation tax charge for the year significantly as the net reversal will be offset by lower current tax in respect of timing differences. There is no expiry date on timing differences.

b) Factors affecting the total tax charge/(credit) for the year

The total tax charge/(credit) for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000s	2020 £000s
Profit before taxation	35,902	839
Less share of profit after tax of joint ventures and associates taxed as separate entities	(5,470)	(1,947)
Group profit/(loss) before tax	30,432	(1,108)
Group profit/(loss) at the standard rate of corporation tax in the UK of 19% (2020: 19%)	5,782	(211)
Effects of:		
Permanent disallowable costs	719	728
Change in tax rate/timing differences	(849)	(950)
Adjustments in respect of prior years	1,141	(282)
Group total tax charge/(credit) for the year	6,793	(715)

10. INTANGIBLE ASSETS – GOODWILL

GROUP	£000s
Cost at 1 January 2021 and 31 December 2021	**72,098**
Amortisation:	
At 1 January 2021	27,039
Provided during the year	3,477
At 31 December 2021	**30,516**
Net book value:	
At 31 December 2021	**41,582**
At 31 December 2020	45,059

The net book value of goodwill at 31 December 2021 includes amounts and remaining amortisation periods in relation to the following acquisitions:

ACQUISITION	REMAINING AMORTISATION PERIOD	NET BOOK VALUE OF GOODWILL
Wates Property Services Limited	9.4 years	£12,764,000
Purchase Group	12.9 years	£5,370,000
Parts of the Shepherd Group	13.8 years	£23,448,000

11. TANGIBLE FIXED ASSETS

GROUP	LAND AND BUILDINGS: INVESTMENT PROPERTIES - FREEHOLD £000s	LAND AND BUILDINGS: LEASEHOLD IMPROVEMENTS £000s	PLANT AND EQUIPMENT £000s	BUSINESS SYSTEMS SOFTWARE £000s	GROUP TOTAL £000s
Valuation or cost:					
At 1 January 2021	51,025	10,495	19,459	30,065	111,044
Additions	41	903	1,887	2,044	4,875
Revaluations	(1,596)	-	-	-	(1,596)
Transfers	-	-	3	(444)	(441)
Disposals	-	(65)	(2,442)	-	(2,507)
At 31 December 2021	**49,470**	**11,333**	**18,907**	**31,665**	**111,375**
Depreciation:					
At 1 January 2021	-	5,148	16,771	14,807	36,726
Provided during the year	-	1,569	1,845	4,174	7,588
Disposals	-	(28)	(2,428)	-	(2,456)
At 31 December 2021	**-**	**6,689**	**16,188**	**18,981**	**41,858**
Net book amounts:					
At 31 December 2021	**49,470**	**4,644**	**2,719**	**12,684**	**69,517**
At 31 December 2020	51,025	5,347	2,688	15,258	74,318

Investment properties, which are all freehold, were revalued as at 31 December 2021 to a fair value of £49,470,000, based on a valuation undertaken by Jonathan S. Dickman BSc (Hons) MRICS, a director of a subsidiary of the Group, who is a valuer with recent experience of the location and class of the investment properties being valued. The method of determining fair value and assumptions on which valuations are based are set out in note 1(xxii). The cost of investment properties at 31 December 2021 was £43,821,000 (2020: £43,780,000). Other tangible fixed assets are stated at cost less depreciation.

At the balance sheet date the Group had contracted with licence and lease holders regarding provision of flexible office space, studios and managed workspace for minimum payments due within one year of £901,000 (2020: £838,000) and due over one year up to 5 years of £1,856,000 (2020: £1,640,000). Contracts include licence agreements. They are generally issued on a 3 month minimum term basis, rolling monthly thereafter.

Business systems software as at 31 December 2021 included assets in the course of construction of £1,087,000 (2020: £8,401,000).

12. JOINT VENTURES AND ASSOCIATES AND OTHER INVESTMENTS

GROUP	JOINT VENTURES £000s	ASSOCIATES £000s	TOTAL JOINT VENTURES AND ASSOCIATES £000s	UNQUOTED INVESTMENTS £000s	EQUITY LOANS £000s	TOTAL OTHER INVESTMENTS £000s
At 1 January 2021	117,905	248	118,153	-	366	366
Additions	93,612	-	93,612	-	-	-
Repayments	(113,194)	-	(113,194)	-	(103)	(103)
Transfer to debtors	(168)	-	(168)	-	-	-
Deferred income	(1,076)	-	(1,076)	-	-	-
Profit	-	-	-	-	29	29
Share of profit	7,629	33	7,662	-	-	-
At 31 December 2021	**104,708**	**281**	**104,989**	**-**	**292**	**292**

The investment in joint ventures includes loans amounting to £74,022,000 (2020: £86,420,000). Repayments include dividends received from joint ventures and associates of £8,062,000 (2020: £5,700,000).

Joint ventures

The Group holds the following interests in the ordinary share capital of the following companies:

	INTEREST	REGISTERED OFFICE
Annington Wates (Cove) Limited	50.0%	3rd Floor One London Square, Cross Lanes, Guildford GU1 1UN
Barratt Wates (East Grinstead) Limited *	50.0%	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF
Barratt Wates (East Grinstead) No. 2 Limited	50.0%	
Barratt Wates (Horley) Limited *	21.5%	
Barratt Wates (Lindfield) Limited *	50.0%	
Barratt Wates (Worthing) Limited *	50.0%	
DWH/Wates (Thame) Limited *	50.0%	
Berkshire Land Limited	33.3%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
Linden (Basingstoke) Limited	50.0%	
Linden Wates (Barrow Gurney) Limited	50.0%	
Linden Wates (Bricket Wood) Limited	50.0%	
Linden Wates (Cranleigh) Limited *	50.0%	
Linden Wates Developments (Chichester) Limited *	50.0%	
Linden Wates Developments (Folders Meadow) Limited *	50.0%	
Linden Wates (Dorking) Limited *	50.0%	
Linden Wates (Kempshott) Limited *	50.0%	
Linden Wates (Lovedean) Limited *	50.0%	
Linden Wates (Ravenscourt Park) Limited *	50.0%	
Linden Wates (Ridgewood) Limited *	50.0%	
Linden Wates (The Frythe) Limited *	50.0%	
Linden Wates (Westbury) Limited	50.0%	
Linden Wates (West Hampstead) Limited *	50.0%	
Vistry Wates Nominee Limited	50.0%	
HSDP Nominee Ltd	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
HWR Nominee Ltd	50.0%	
Miller Wates (Bracklesham) Limited *	50.0%	2 Centro Place, Pride Park, Derby, Derbyshire DE24 8RF
Miller Wates (Chalgrove) Limited *	50.0%	
Miller Wates (Didcot) Limited *	50.0%	
Miller Wates (Southwater) Limited *	50.0%	
Miller Wates (Wallingford) Limited *	50.0%	

* Owned directly by Wates Group Limited

The Group holds the following interests in limited liability partnerships:

	INTEREST	REGISTERED OFFICE
Harrow Strategic Development Partnership LLP	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
Havering and Wates Regeneration LLP	50.0%	
HWR Phase 1 Stage 1 LLP	50.0%	
HWR Phase 1 Stage 2 LLP	50.0%	
HWR Phase 1 Demo Stages 3-10 LLP	50.0%	
Signature Wates Residential LLP	50.0%	
Laurus Living Space LLP	50.0%	Sale Point, 126-150 Washway Road, Sale, Manchester M33 6AG
Linden (Battersea Bridge Road) LLP *	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
Linden Wates (Horsham) LLP *	50.0%	
Linden Wates (Ringwood) LLP *	50.0%	
Linden Wates (Royston) LLP	50.0%	
Linden Wates (Salisbury) LLP *	50.0%	
Linden Wates (Walberton) LLP	50.0%	
Vistry Wates (Buckingham) LLP	50.0%	
Vistry Wates Finance LLP	50.0%	
Vistry Wates Holdings LLP *	50.0%	
Vistry Wates (Leybourne) LLP	50.0%	
Vistry Wates (Walshes) LLP	50.0%	

* Owned directly by Wates Group Limited

Associates

The Group holds the following interests in the ordinary share capital of the following companies:

	INTEREST	REGISTERED OFFICE
Countrywise Repairs Limited	49.0%	Monson House, Monson Way, Tunbridge Wells, Kent TN1 1LQ
QSH Propco Limited	15.0%	1934 the Yard, Exploration Drive, Leicester LE4 5JD
Quality Social Housing Management Limited	15.0%	

The Group holds the following interest in a limited liability partnership:

	INTEREST	REGISTERED OFFICE
QSH Property LLP	7.5%	2 Merus Court, Meridian Business Park, Leicester LE19 1RJ

Unquoted investments

The Group's interests in unquoted investments are as follows:

	INTEREST	REGISTERED OFFICE
Gambado Limited	100% non-voting Preference shares and 1.4% Ordinary shares	7 Station Court, Townmead Road, Chelsea, London SW6 2PY

The cost of shares in unquoted investments is £1,874,000 (2020: £1,874,000). An impairment of £nil (2020: £439,000) was recognised in the year. The investment is fully impaired as the Group considers that it is no longer recoverable.

Equity loans

These comprise amounts advanced to homebuyers to assist in their purchase of the Group's residential properties under equity share schemes. The loans, with a cost of £375,000 (2020: £449,000), are repayable, together with a share in the capital appreciation, when the underlying property is sold. Included in this total are loans with a cost of £67,000 (2020: £93,000), which were repayable if the properties were not sold by 2021. The outstanding loans are secured by a charge over the property so are therefore considered recoverable. Loans with a cost of £154,000 (2020: £180,000) are interest free and loans with a cost of £221,000 (2020: £269,000) were interest free until 2016 when a fee of 1.75% became receivable, rising annually by the Retail Price Index plus one percent. A provision of £83,000 (2020: £83,000) is held against these loans.

Company

	SHARES IN GROUP UNDERTAKINGS £000s	INTERESTS IN JOINT VENTURES £000s	UNQUOTED INVESTMENTS £000s	TOTAL £000s
At 1 January 2021	56,538	88,084	-	144,622
Additions	-	85,049	-	85,049
Repayments	-	(105,524)	-	(105,524)
At 31 December 2021	**56,538**	**67,609**	**-**	**124,147**

The cost of shares in Group undertakings is £71,762,000 (2020: £71,762,000). The value of shares in Group undertakings of £56,538,000 (2020: £56,538,000) is net of cumulative impairments of £15,224,000 (2020: £15,224,000). The investment in joint ventures includes loans amounting to £67,598,000 (2020: £88,074,000). Repayments include dividends received from joint ventures of £8,000,000 (2020: £5,700,000). The cost of shares in unquoted investments is £1,874,000 (2020: £1,874,000). An impairment of £nil (2020: £438,000) was recognised in the year. The investment is fully impaired as the Company considers that it is no longer recoverable.

For the year ending 31 December 2021, the following subsidiaries of the Company were entitled to exemption from audit of individual company accounts under Section 479A of the Companies Act 2006:

Wates (Crowborough) Limited (Company number 13163327)

Wates Group Services Limited (Company number 00340931)

Wates Limited (Company number 03599183)

Wates (WR) Limited (formerly known as Wates (Hungerford) Limited (Company number 11735213)

A list of the Group's subsidiary undertakings is set out on page 125.

13. STOCKS

GROUP	**2021 £000s**	2020 £000s
Raw materials and consumables	**130**	92
Residential land and work in progress under development	**74,956**	40,520
	75,086	40,612

14. DEBTORS

	GROUP 2021 £000s	GROUP 2020 £000s	**COMPANY 2021 £000s**	COMPANY 2020 £000s
Amounts falling due within one year				
Trade debtors	**70,212**	73,803	**-**	-
Amounts recoverable on contracts	**182,384**	141,206	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**92,301**	51,904
Amounts owed by joint ventures and associates	**8,264**	11	**1,282**	989
Deferred taxation (note 19)	**1,887**	3,913	**-**	426
Corporation tax receivable	**4,350**	3,492	**100**	124
Other debtors	**6,427**	5,813	**-**	-
Prepayments and accrued income	**14,598**	11,077	**370**	366
	288,122	239,315	**94,053**	53,809
Amounts falling due after more than one year				
Trade debtors	**1,650**	1,013	**-**	-
Amounts recoverable on contracts	**16,325**	21,960	**-**	-
Deferred taxation (note 19)	**4,469**	7,456	**-**	-
Corporation tax receivable	**406**	-	**406**	-
Other debtors	**1,379**	1,381	**1,250**	1,250
Prepayments and accrued income	**58**	405	**58**	405
	24,287	32,215	**1,714**	1,655
	312,409	271,530	**95,767**	55,464

15. CASH AND CASH EQUIVALENTS

GROUP	2021 £000s	2020 £000s
Restricted cash	**24,789**	4,327
Cash at bank	**203,930**	211,620
	228,719	215,947

Restricted cash represents money held in a proceeds account from property sales for a development site. The lower of 90% of the sales proceeds received and the full construction costs incurred to date can be released from the account on receipt of an approved valuation certificate. Following receipt of a certificate in February 2022, £23,580,000 of the balance was distributed in accordance with the terms of the original agreement. The balance at 31 December 2021 included £18,531,000 (2020: £2,218,000) due to the site partner which is also included in accruals (note 16).

The net cash position (being cash and cash equivalents excluding cash held in joint ventures and restricted cash, net of bank loans excluding arrangement fees) at year end is £158,930,000 (2020: £161,620,000).

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2021 £000s	GROUP 2020 £000s	COMPANY 2021 £000s	COMPANY 2020 £000s
Bank loans	**10,951**	4,951	**10,951**	4,951
Advance payments on account of contracts	**116,703**	152,774	**-**	-
Trade creditors	**66,813**	72,167	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**134,015**	95,635
Amounts owed to joint ventures	**21,994**	18,948	**21,994**	18,948
Corporation tax payable	**-**	-	**-**	-
Other taxes and social security	**41,019**	28,081	**179**	-
Other creditors	**2,620**	5,114	**-**	-
Accruals	**316,584**	229,090	**889**	517
Deferred income	**2,972**	2,879	**-**	-
	579,656	514,004	**168,028**	120,051

The Group has in place a Revolving Credit Facility for £120,000,000 which was undrawn at 31 December 2021 and expires in March 2023 and a Coronavirus Large Business Interruption Loan Scheme facility for £50,000,000, of which, £45,000,000 was drawn at 31 December 2021 (2020: £50,000,000) and which expires in October 2023. Repayments of £6,000,000 and £5,000,000 in respect of the Coronavirus Large Business Interruption Loan Scheme facility are payable on 31 March 2022 and 31 December 2022 respectively. Bank loans are disclosed net of unamortised arrangement fees of £49,000 (2020: £49,000).

Both the Revolving Credit Facility and Coronavirus Large Business Interruption Loan Scheme facility are secured against the majority of the Group's subsidiaries and their assets. The Group has remained compliant with the covenants throughout the period up to the date of this report. Interest rates on the Group's banking facilities (bank loans) are less than 2.5%.

Other taxes and social security included £nil (2020: £15,799,000) due under the Government's VAT Deferral New Payment Scheme.

Accruals included £18,531,000 (2020: £2,218,000) due to the site partner in respect of funds held in the restricted cash account (note 15).

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP 2021 £000s	GROUP 2020 £000s	COMPANY 2021 £000s	COMPANY 2020 £000s
Bank loans	**33,960**	44,911	**33,960**	44,911
Other taxes and social security	**-**	5,925	**-**	-
Accruals	**16,613**	16,034	**-**	-
Deferred income	**1,379**	2,652	**-**	-
	51,952	69,522	**33,960**	44,911

The Group has in place a Revolving Credit Facility for £120,000,000 which was undrawn at 31 December 2021 and expires in March 2023 and a Coronavirus Large Business Interruption Loan Scheme facility for £50,000,000, of which, £45,000,000 was drawn at 31 December 2021 (2020: £50,000,000) and which expires in October 2023. Repayments of £34,000,000 are payable in respect of the Coronavirus Large Business Interruption Loan Scheme facility after 31 December 2023. Bank loans are disclosed net of unamortised arrangement fees of £40,000 (2020: £89,000).

Other taxes and social security included £nil (2020: £5,925,000) due under the Government's VAT Deferral New Payment Scheme.

The maturity of bank loans is as follows:

GROUP AND COMPANY	2021 £000s	2020 £000s
Within one year	**11,000**	5,000
Between one and two years	**34,000**	11,000
Between two and five years	**-**	34,000
	45,000	50,000

These amounts are disclosed before the deduction of unamortised arrangement fees of £89,000 (2020: £138,000).

18. PROVISIONS FOR LIABILITIES

GROUP	2021 £000s	2020 £000s
At 1 January	**18,637**	8,921
Utilised during the year	**(3,921)**	-
Charged to profit and loss account	**9,351**	12,997
Credited to profit and loss account	**(3,355)**	(3,281)
At 31 December	**20,712**	18,637
Provision for net defined benefit pension scheme deficit (note 25)	**3,134**	21,811
Total	**23,846**	40,448

Provisions, other than the provision for the net defined benefit pension scheme deficit, are construction activity related and are the Group's estimates of the amounts which are expected to be paid. These construction related amounts reflect the expected future loss which is arrived at after making an allowance for insurance policy excess, if the Group has received reasonable satisfaction of policy coverage from insurers that costs are recoverable for certain works and where the process is at an advanced stage. Some of these obligations are likely to crystallise more than one year after the balance sheet date.

19. DEFERRED TAXATION

GROUP	£000s
At 1 January 2021	**11,369**
Charged to profit and loss account	**(3,617)**
Charged to other comprehensive income	**(1,396)**
At 31 December 2021	**6,356**

In line with the announcement in The Finance Act 2020 which received Royal Assent on 22 July 2020, deferred taxation balances in 2020 were measured at 19%. In line with The Finance Act 2021 which received Royal Assent on 10 June 2021 and which increased the main rate of corporation tax from 19% to 25% from 1 April 2023, all opening deferred taxation balances were remeasured at rates between 19% and 25% in line with their expected crystallisation date, with an adjustment recognised in the 2021 total tax charge.

Deferred taxation is provided as follows:

	2021 £000s	2020 £000s
Accumulated depreciation in excess of capital allowances	**58**	308
Deferred tax arising in relation to retirement benefit obligations	**785**	4,144
Other timing differences including tax losses	**5,513**	6,917
	6,356	11,369

	2021 £000s	2020 £000s
Deferred taxation asset under one year	**1,887**	3,913
Deferred taxation asset over one year	**4,469**	7,456
	6,356	11,369

COMPANY	£000s
At 1 January 2021	**426**
Charged to profit and loss account	**(426)**
At 31 December 2021	**-**

Deferred taxation is provided as follows:

	2021 £000s	2020 £000s
Other timing differences	**-**	426

20. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial assets and liabilities, other than those measured at the undiscounted amount receivable or payable, are summarised by category below:

GROUP	2021 £000s	2020 £000s
Financial assets		
Debt instruments measured at amortised cost		
• Loans receivable from joint ventures (notes 12 and 14)	**74,265**	86,420
Equity instruments measured at cost less impairment		
• Equity loans (note 12)	**292**	366
Financial liabilities		
Measured at amortised cost		
• Loans payable (notes 16 and 17)	**44,911**	49,862
Interest income and expense		
Total interest income for financial assets at amortised cost	**3,707**	4,291
Total interest expense for financial liabilities at amortised cost	**2,271**	2,601

21. CALLED UP SHARE CAPITAL AND RESERVES

	2021 NUMBER	2021 £000s	2020 NUMBER	2020 £000s
Issued and fully paid:				
A ordinary shares of £1 each	**323,854**	**324**	323,854	324
B ordinary shares of £1 each	**323,854**	**324**	323,854	324
C ordinary shares of £1 each	**323,854**	**324**	323,854	324
A second ordinary shares of £0.0277 each	**60**	**-**	60	-
B second ordinary shares of £0.0277 each	**60**	**-**	60	-
C second ordinary shares of £0.0277 each	**60**	**-**	60	-
Non-voting second preference shares of £1 each	**5,000,000**	**5,000**	5,000,000	5,000
Non-voting A preference shares of £1 each	**2,914,677**	**2,914**	2,914,677	2,914
Non-voting B preference shares of £1 each	**2,914,677**	**2,914**	2,914,677	2,914
Non-voting C preference shares of £1 each	**2,914,677**	**2,914**	2,914,677	2,914
Index linked non-voting A shares of £1 each	**20,750**	**21**	20,750	21
Index linked non-voting B shares of £1 each	**20,750**	**21**	20,750	21
Index linked non-voting C shares of £1 each	**20,750**	**21**	20,750	21
	14,778,023	**14,777**	14,778,023	14,777

21. CALLED UP SHARE CAPITAL AND RESERVES – CONTINUED

Ordinary and second ordinary shares, which carry the rights to receive notice, attend and vote at general meetings of the Company, are entitled to dividends declared after the payment of index linked share dividends, preference and second preference share dividends.

Dividends on all shares are declared at the discretion of the directors. The priority of dividends other than ordinary dividends is as follows:

1. Firstly, index linked shareholders ('index shareholders') are entitled to annual non-cumulative preferential dividends being the greater of the preceding such dividend and an amount of £4.82 per share indexed using the Retail Price Index since September 2007;
2. Secondly, preference shareholders are entitled to biannual fixed non-cumulative dividends, the first at the rate of 17 per cent per annum and the second at a rate of 17 per cent per annum subject to minimum profit levels on the amount paid up and in issue regarding these shares;
3. Thirdly, second preference shareholders are entitled to fixed non-cumulative dividends at the rate of 7.5 per cent per annum on the amount paid up and in issue regarding these shares.

On a return of capital on a winding-up of the Company, assets available for distribution shall be applied firstly to repaying the index shareholders, secondly to repaying the preference shareholders, thirdly to repaying the second preference shareholders, fourthly to repaying the second ordinary shareholders and fifthly to repaying the ordinary shareholders.

The A, B and C preference, ordinary and second ordinary shares are treated as separate classes of shares regarding further issues and transfers and, in the case of ordinary and second ordinary shares only, proceedings at general meetings.

The Group and Company's reserves are as follows:

- The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.
- The capital redemption reserve contains the amounts transferred following repurchase and redemption of the Company's shares.

The profit and loss account reserve represents cumulative profits and losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The following dividends were paid by the Group and company:

	2021 £000s	2020 £000s
Ordinary shares	1,261	5,745
Second ordinary shares	-	1
Preference shares	1,486	1,486
Second preference shares	188	188
Index linked shares	445	-
	3,380	7,420

As noted above, all classes of shares, except the second preference shares, are divided into A, B and C sub-classes with any dividends equally divided between them.

22. RECONCILIATION OF GROUP OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	2021 £000s	2020 £000s
Group operating profit/(loss) including joint ventures and associates	34,312	(941)
Adjustments for:		
Decrease in fair value of investment property	1,596	2,510
Profit on sale of properties with equity loans	(29)	(3)
Depreciation and amortisation	11,116	10,100
Joint ventures and associates	(7,662)	(2,537)
Impairment of other investments	-	439
(Increase)/decrease in stocks	(34,474)	7,636
(Increase)/decrease in debtors	(42,220)	71,767
Increase/(decrease) in creditors	45,427	(41,441)
Increase in provisions	2,075	9,716
Cash generated from operations before adjustment for pensions funding	10,141	57,246
Adjustment for pensions funding	(8,085)	(8,710)
Cash generated from operations	2,056	48,536
Interest received	3,801	4,582
Interest paid	(1,137)	(1,952)
Corporation tax (paid)/recovered	(2,942)	1,021
Net cash inflow from operating activities	1,778	52,187

23. GROUP NET CASH RECONCILIATION

	1 JANUARY 2021 £000s	CASH FLOWS £000s	31 DECEMBER 2021 £000s
Cash at bank	211,620	(7,690)	203,930
Restricted cash	4,327	20,462	24,789
Cash and cash equivalents	215,947	12,772	228,719
Bank loans (excluding arrangement fees *)	(50,000)	5,000	(45,000)
Net cash including restricted cash	165,947	17,772	183,719
Net cash excluding restricted cash	161,620	(2,690)	158,930

* Bank loans are disclosed before the deduction of unamortised arrangement fees of £89,000 (2020: £138,000).

24. OPERATING LEASE COMMITMENTS

	2021 £000s	2020 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	7,120	7,052
Between one and five years	13,202	10,459
After five years	898	1,162
	21,220	18,673

25. PENSION SCHEMES

The Group historically operated a defined benefit pension scheme, the Wates Pension Fund ('the scheme'), which is now closed to future accrual and new entrants. The Group also operates personal pension schemes providing benefits on a defined contribution basis. A subsidiary of the Group participates in a defined benefit scheme accounted for on a defined contribution basis (see note 1(xix)).

The funds of the scheme are administered by trustees and are separate from the funds of the Group. The scheme is closed to future accrual and new entrants.

The latest full actuarial valuation of the scheme was carried out at 1 January 2020 and was updated to 31 December 2021 by a qualified independent actuary.

PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE BALANCE SHEET DATE (EXPRESSED AS WEIGHTED AVERAGES)	2021	2020
Discount rate	**1.95%**	1.30%
Rate of compensation increase	**4.20%**	3.70%
Rate of price inflation	**3.20%**	2.70%
Rate of pension increase	**2.50%**	1.90%

WEIGHTED AVERAGE LIFE EXPECTANCY FOR MORTALITY TABLES USED TO DETERMINE BENEFIT OBLIGATIONS AT YEAR END	2021 YEARS	2020 YEARS
Male member age 65 (current life expectancy)	**22.5**	22.5
Female member age 65 (current life expectancy)	**24.9**	24.8
Male member age 45 (life expectancy at age 65)	**23.9**	23.8
Female member age 45 (life expectancy at age 65)	**26.3**	26.2

COMPONENTS OF PENSION COST	2021 £000s	2020 £000s
Recognised in the profit and loss account:		
Current service cost/(credit)	**427**	(216)
Net interest cost	**228**	430
	655	214
Recognised in other comprehensive income	**(10,820)**	6,305
Total (credit)/cost relating to defined benefit scheme	**(10,165)**	6,519

ANALYSIS OF DEFERRED TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME	2021 £000s	2020 £000s
Tax debit/(credit) relating to remeasurement of net defined benefit liability	**2,705**	(1,197)
Increase in tax rate on opening net defined benefit liability	**(1,309)**	(476)
Total tax debit/(credit) relating to other comprehensive income	**1,396**	(1,673)

The amount included in the balance sheet arising from the Group's obligations in respect of the scheme is as follows:

	2021 £000s	2020 £000s
Present value of defined benefit obligations	**322,394**	345,356
Fair value of scheme assets	**319,260**	323,545
Net liability recognised in the balance sheet	**3,134**	21,811

	2021 £000s	2020 £000s
Movements in the present value of defined benefit obligations:		
At 1 January	**345,356**	310,996
Service credit	**427**	(216)
Interest cost	**4,404**	6,649
Actuarial (gain)/loss	**(14,588)**	45,565
Benefits paid	**(13,205)**	(17,638)
At 31 December	**322,394**	345,356
Movements in the fair value of scheme assets:		
At 1 January	**323,545**	287,210
Interest income	**4,176**	6,219
Actual return less interest on scheme assets	**(3,768)**	39,260
Employer contribution	**8,512**	8,494
Benefits paid	**(13,205)**	(17,638)
At 31 December	**319,260**	323,545

The analysis of scheme assets at the balance sheet date is as follows:

	2021 %	2020 %
Major categories of scheme assets as a percentage of the fair value of total scheme assets:		
Equity securities	**30.5%**	20.6%
Debt securities	**62.7%**	66.6%
Real estate	**1.2%**	1.1%
Cash and cash equivalents	**5.6%**	11.7%
	100.0%	100.0%

Contributions

The Group expects to contribute £8,400,000 to the scheme in 2022 in order to reduce the deficit.

26. CONTINGENCIES

There are claims arising in the normal course of trading that are in the process of negotiation. In some cases these negotiations may be protracted over several years. Provision has been made for all amounts that the directors consider will become payable on account of claims. There are contingent liabilities in respect of guarantees and other agreements entered into in the normal course of business.

The consultation launched by the Secretary of State with the residential property development industry in January 2022 in relation to the remediation of unsafe cladding on buildings between 11-18m high (which also includes a request for information on buildings over 11m high constructed in the last 30 years and hence beyond the previous statute of limitations period) has the potential risk of additional residential property remediation activity. Until the outcomes from the consultation are clear and where necessary defined in statute, there is a high degree of uncertainty and as such it is not possible to quantify the impact, if any, on the Group's financial position. It is important to note that the Group's development activities of residential buildings over 11m during this extended period was limited. At this time the Board is continuing to monitor developments.

27. RELATED PARTIES

Turnover in respect of the value of contracting work done for and land sold to joint ventures in the year ended 31 December 2021 was £35,865,000 (2020: £4,617,000).

Amounts were due to the Group from joint ventures and associates at 31 December 2021 of £82,286,000 (2020: £86,432,000). Additionally, at 31 December 2021, the Group owed joint ventures £21,994,000 (2020: £18,948,000). Interest at market rates is receivable/(payable) in respect of loans, which are unsecured, due from/(to) joint ventures.

Myriad CEG Group Limited ('Myriad') is a company under common control and hence a related party. At 31 December 2021, Myriad owed the Group £nil net of impairment provision (£3,077,000 gross) (2020: £nil net of impairment provision, £2,841,000 gross). During 2021, interest for the year charged at a market rate was £236,000 (2020: £218,000) and there was a corresponding increase in the impairment provision. On 5 January 2022, the loan was waived. The estimated fair value of the loan at the date of waiver was £nil.

The Company has also guaranteed the bank overdraft of a subsidiary held by Myriad of £500,000 (2020: £500,000) and in turn has received a counter guarantee from members of the Wates family. These guarantees remain in place following the waiver of the loan owed by Myriad to the Group on 5 January 2022.

On 10 September 2020, loans to shareholders were granted such that at 31 December 2021; £500,000 (2020: £500,000) was due from Sir James G.M Wates, a shareholder and director of the Company, to the Company; £250,000 (2020: £250,000) was due from Jonathan G.M. Wates, a shareholder and director of the Company, to the Company; £250,000 (2020: £250,000) was due from Timothy A.D. Wates, a shareholder and director of the Company, to the Company; and £250,000 (2020: £250,000) was due from Andrew E.P. Wates, a director of the Company, to the Company. All loans are repayable in September 2027. Interest on the loans is charged at the higher of the official rate for beneficial loans arrangements as set by HMRC of 2.0% and 2.5%. Interest accrues daily and is payable annually in arrears on each anniversary of the date on which the loan is borrowed.

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Andrew T. A. Wates, who is a shareholder of the Company, and his wife Sarah, in July 2016. The initial contract will last for 10 years and an initial amount of £85,000 was paid. Wates Developments Limited will be paid a promotion fee of 20% if it successfully achieves planning on the site within 10 years. The promotion is extendable for 10 years on payment of an additional fee. During 2019, Wates Developments Limited bought a piece of land adjacent to the site. If the promotion contract between Andrew T. A. Wates and his wife Sarah expires, Andrew T. A. Wates and his wife, Sarah, can purchase this piece of land at cost plus interest at 2% above the base rate.

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Michael E. Wates, who is a shareholder of the Company, and his wife Caroline, in August 2020. The initial contract will last for 10 years and an initial amount of £50,000 was paid. Wates Developments Limited will be paid a promotion fee of 20% if it successfully achieves planning on the site within 10 years. The promotion is extendable for 10 years on payment of an additional fee.

Key management personnel includes all statutory directors of the company and of the Executive Committee. The total remuneration for key management personnel for the year was £10,903,000 (2020: £7,186,000) including dividends received of £907,000 (2020: £2,926,000).

Subsidiary Undertakings

AT 31 DECEMBER 2021

Except where otherwise stated:
- **All subsidiary undertakings are incorporated in the United Kingdom and registered in England and Wales;**
- **The registered office of all subsidiary undertakings is Wates House, Station Approach, Leatherhead, Surrey KT22 7SW;**
- **The Wates Group Limited interest is 100% of the issued share capital of the subsidiary undertakings listed below included in the consolidated accounts.**

Subsidiary undertaking

10 St Bride Street Limited *
Brooks and Rivers Limited
Danesdale (Pebble Drive) Limited
G Purchase Construction Limited
GW 217 Limited
Needspace? Limited *
Purchase Group Limited
Purchase Home Improvements Limited
Purchase Homes Limited
Purchase Support Limited
QED Education Environments Limited *
Relocation and Inventory Services Limited
SES (Engineering Services) Limited
Stageselect Limited *
Third Wates Investments Limited
Wates Amenity Lands Limited
Wates Built Homes (Blakes) Limited
Wates Built Homes (London) Limited
Wates Built Homes Limited
Wates Built Homes (Retirement) Limited
Wates Built Homes (Southern) Limited
Wates Construction International LLC (incorporated in Abu Dhabi; ownership interest 49%; registered office – Sultan International Holdings, 20th Floor, Sheikh Sultan Bin Hamdan Building, Corniche PO Box 3486, Abu Dhabi, United Arab Emirates)
Wates Construction Limited *
Wates Construction Services Limited
Wates (Crowborough) Limited
Wates Developments Limited *
Wates Financial Services Limited
Wates FM Limited *
Wates Group Properties Limited
Wates Group Services Limited *
Wates Healthcare Trustee Company Limited
Wates Homes (Bracknell) Limited
Wates Homes (Cambridge) Limited
Wates Homes (Chichester) Limited
Wates Homes (Farnham Common) Limited
Wates Homes Limited
Wates Homes (Oakley) Limited
Wates Homes (Odiham) Limited
Wates Homes (Wallingford) Limited
Wates Homes (Warsash) Limited
Wates Interiors Limited
Wates Lancewood Estates Limited *
Wates Limited *
Wates Property Services Limited
Wates Maintenance Services Limited
Wates Pension Trustee Company Limited
Wates PFI Investments Limited
Wates PFI Investments (Projects) Limited
Wates PFI Investments (QED) Limited
Wates Regeneration (Coventry) Limited
Wates Regeneration (South Acton) Limited
Wates Regeneration (Tavy Bridge) Limited
Wates Residential Limited *
Wates Residential Construction Limited
Wates Residential Development Limited
Wates Second Land Limited
Wates Smartspace Limited *
Wates Staff Trustees Limited
Wates Surrey One Limited (formerly known as Wates Smartspace Limited)
Wates (Walberton) Limited *
Wates (WR) Limited (formerly known as Wates (Hungerford) Limited
WBH (Financial Services) Limited
Woodside Lands Estates Limited
Woodside Lands Limited
Woodside Lands Management Limited

* Owned directly by Wates Group Limited

The consolidated income and expenditure, assets and liabilities and cash flows of the subsidiary undertakings of the Group include the Group's shares of the following unincorporated jointly controlled assets:

	INTEREST	REGISTERED OFFICE
American Community School Expansion	24.5%	Eastern International LLC, City Gate Tower, 11th Floor, Al Wahda Street, PO Box 1596 Sharjah, United Arab Emirates
American Community School Landscaping	24.5%	
Qasr Al Hosn Fort and NCCC Main Contract Works	24.5%	
Linden Wates (St. Albans)	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY

Group five-year summary

	2017 £m	2018 £m	2019 £m	2020 £m	**2021 £m**
Profit and loss account					
Group turnover (plus share of joint ventures' and associates' turnover)	1,622	1,601	1,634	1,449	**1,626**
Group turnover	1,530	1,501	1,548	1,383	**1,522**
Operating profit (excluding share of joint ventures' and associates' interest and tax)	38.5	39.0	39.0	4.6	**40.0**
Underlying operating profit (excluding share of joint ventures' and associates' interest and tax)	38.5	39.0	39.0	16.0	**40.0**
Profit before taxation (and excluding share of joint ventures' and associates' tax)	35.7	35.9	36.2	1.7	**37.4**
Underlying profit before taxation (and excluding share of joint ventures' and associates' tax)	35.7	35.9	36.2	13.1	**37.4**
Balance sheet					
Net assets	119.4	135.8	152.4	142.0	**177.1**

1 Victoria and Albert Museum extension
2 Buckingham Palace
3 Lucent
4 York Stadium
5 Braywick Leisure Centre
6 Wind turbines
7 Large industrial shed
8 Drax Ecostore
9 Royal London Hospital
10 HOME at First Street
11 M&S
12 Lloyds Bank
13 Hitachi Rail Manufacturing Facility
14 Prison blocks
15 Wellcome Genome Campus
16 Twycross Zoo
17 City legal firms
18 Canadian High Commission
19 DWP Birmingham
20 Royal Mail
21 DfE MMC Frameworks
22 St Helens Community Fire Station
23 West Midlands Police
24 University
25 British Library, Boston Spa
26 Houses of Parliament
27 Inner city estate with tower blocks being demolished
28 Large mixed tenure development with apartments for sale
29 Repair of sink
30 New housing development
31 Greenfield site on edge of settlement
32 Employing local people and businesses on site
33 Passivhaus with sustainable technologies being used
34 Installation of external wall insulation
35 Installing solar panels on a roof
36 Tree planting
37 Volunteering to help tidy up the local community
38 Picking up litter to benefit local community
39 Food bank

We would like to thank our colleagues who agreed to be featured in this report:
Lyndon Amoah, Camilla Budd, Hannah Cann, Callum Chambers, Charlie Hargreaves, Lola Harvey, Jing Jin, Jed Livermore, Ian Newstead, Paul Newman, Manuela Gonzalez Perez, Michael Robins, Nelson Tanyanyiwa, Nick Whiting

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