



Contents

Chairman's Statement*	4
Chief Executive's Review*	6
Our People	8
CONSTRUCTION	
Wates Construction	10
SES Engineering Services	16
FIT OUT & REFURBISHMENT	18
Wates Smartspace	18
PROPERTY SERVICES	
Property Services	20
Wates Living Space	22
Wates FM	26
Needspace?	28
RESIDENTIAL DEVELOPMENT	
Residential Development	30
Wates Developments	32
Wates Residential	34
SUSTAINABILITY REPORT	
Sustainability Report	36
Streamlined Energy & Carbon Report (SECR)	43
WATES FAMILY ENTERPRISE TRUST	46
GOVERNANCE STRUCTURE	
Wates Group Board	48
Wates Executive Committee	50
CORPORATE GOVERNANCE AND ACCOUNTS	
Directors and Advisors	53
Strategic Report	54
Corporate Governance Report	63
Directors' Report	67
Statement of Directors Responsibilities	69
Independent Auditors Report	70
Consolidated Profit and Loss Account	72
Consolidated Statement of Comprehensive Income	73
Consolidated Balance Sheet	74
Company Balance Sheet	75
Consolidated Statement of Changes in Equity	76
Company Statement of Changes in Equity	77
Consolidated Cash Flow Statement	77
Notes to the Accounts	78
Subsidiary Undertakings	97
Group Five Year Summary	98
Locations	99

*Form part of the Strategic Report

Chairman's Statement



As I look back at the accomplishments of the Wates Group during 2019, I am particularly proud of the work that the Executive has done in articulating and embedding the company's purpose, above and beyond profit. This work has been extensive, involving consultation with employees and other stakeholders, and resulting in a framework that makes us a stronger business.

It is absolutely vital that employees, business partners, clients, regulators, and the communities in which we work all understand our focus on the long-term sustainability of our company. We are now 123 years old and in the fourth generation of family ownership, committed to handing over to the next generation an even stronger, more sustainable business. And our new Guiding Framework demonstrates how we seek to work with our stakeholders to maintain our success well into the future.

I would like to thank our employees for their hard work in the past year. Their commitment to bringing compassion, fairness and continuous improvement to their work is a key to our successes, both individually and collectively.

My appreciation also extends to the thousands of people in our supply chain – the businesses across the country we work with in partnership to deliver our projects and ultimately to create the places, communities and businesses of tomorrow.

We also value our long-term relationships with our clients and are pleased that so many of them ask us to take on repeat business.

The Wates Group takes very seriously its responsibilities to be a good corporate citizen and to contribute to social value in the communities where we work. This is reflected in the nature of what we do, as well as the extra support provided through the charitable activities of the Wates Family Enterprise Trust.

Business creates wealth that, through taxes, delivers the investment which, if properly managed by politicians, leads to a fairer and more prosperous society.

Following the General Election in December, I look forward to the new government working in a spirit of partnership with the business community to foster good corporate behaviour, which generates social value as well as tax revenue for the Treasury. The government, together with the private sector and civil society organisations, can play a positive role in helping to foster a sense of trust between business and the public, trust which is an essential feature of a healthy economy.

The new government now enjoys a strong mandate to effect lasting improvements in the provision of new homes and social infrastructure, where Wates is well-placed to provide support.

Given that the past two years have been challenging for the economy generally, and for many of the markets in which the Wates Group operates, I am hopeful that 2020 will see a more collaborative, healthy business environment, with mutual trust at its core.

As Chairman, I was pleased in November 2019 to welcome Susan Harris as a new independent Non-Executive Director and Chair of the Audit Committee. I would also like to take this opportunity to thank Jeremy Newsum for taking on the role of senior independent Non-Executive Director, following the departure of David Barclay, to whom I express my appreciation for his seven years on the Board.

I am confident in our company's prospects and am pleased to present this annual report for 2019.

Sir James Wates CBE
Chairman

The Wates Group takes very seriously its responsibilities to be a good corporate citizen and to contribute to social value in the communities where we work



For more info on the Wates Group go to
wates.co.uk/who-we-are

Chief Executive's Review

Purpose and goals

Successful businesses generally have a clear understanding of their defining purpose, the goals they are striving to achieve and the behaviours that unite the organisation. In 2019, the Wates Group decided to articulate our purpose, our goals and our behaviours in a new Guiding Framework, which we shared across the entire organisation in May. The Framework defines our motivating purpose of 'together we inspire better ways of creating the places, communities and businesses of tomorrow' and our goals of being more trusted, sustainable and progressive. It builds on the vision and values which have shaped us since 1897, adapting them so they can help us to evolve and flourish in the future. During the second half of the year we began to embed the Guiding Framework throughout the business and took a step towards our goal of being progressive, with the publication of some bold new targets for diversity and inclusion. We began 2020 working towards our goal of being more sustainable by launching an ambitious five-year plan to reduce carbon and waste and to have a positive impact on nature.

Safety and wellbeing

Keeping our people safe from harm and creating a healthy and safe environment wherever we operate remains our number one priority. The progress we have made since the launch of our Group-wide Zero Harm campaign continued in 2019, allowing us to maintain our industry-leading health and safety performance. Our Wates FM, Wates Residential and Wates Smartspace businesses all had zero reportable

incidents (RIDDORs) during the year – a record we are keen to replicate across the Group. There were 10 RIDDORs across the Group in 2019. Accident Frequency Rate (AFR) was 0.031. To be fully well, our people must be in good mental health. The levels of absenteeism due to mental health issues and the high rate of suicide in the construction industry are matters which should concern us all. I'm proud of the steps that Wates continues to take to address stress, for example by training 273 employees as mental health first-aiders.

Financial performance and resilience

Financially, 2019 was a positive year for Wates Group in a challenging market. Political uncertainty reduced demand for some of our services. Encouragingly, there have been signs of stabilisation following the election in December of the Johnson government. At the beginning of last year, we received a significant endorsement from our existing banks and from a new bank, who together committed to a bigger and extended £120m facility. We have been able to maintain a steady level of turnover at £1.6bn and have increased profits to £36.2m by continuing to focus on those areas in which we are strong: construction, property services and residential development. We have continued to apply financial discipline across every area of the business, undertaking a major review of all our functions and operations to maximise efficiencies and ensure we are fit for the future. We have focused our investing activities in those areas of the Group where we see the most substantial growth opportunities, including housebuilding,



regeneration of housing estates, property maintenance, facilities management and public sector construction frameworks. Our balance sheet remains strong, with net assets increasing 12.2% to £152.4m. We ended the year with cash of £142.2m, up 25%.

The construction environment

2019 was a difficult year for many involved in our industry and the ripples caused by the collapse of Carillion and Interserve will continue to be felt for some time. The industry is coming to terms with the changes in building regulations that have followed on from the tragedy at Grenfell Tower. We are playing our part through active involvement in the Government's Early Adopters Programme, which is taking forward the changes recommended in Dame Judith Hackitt's review. We remain selective about the work we want to do and who we want to do it for and want to continue to work primarily for customers and on projects where we can really make a difference. Our continued success is a testament to the emphasis we place on building and maintaining effective, long-term relationships and partnerships. The Scape framework and our relationship with the Department for Education (where we are one of the very few contractors that has been awarded 'strategic supplier' status) show how our focus on partnership and on truly understanding our customers' needs and culture benefit them and us. In 2019 we were delighted to be appointed to the Government's £30bn Crown Commercial Service framework.

Housing

The Group we see today is very different from the firm begun by the Wates family in 1897. However, our commitment to helping meet the nation's need for shelter remains as steadfast as when our founder Edward Wates was building the first Wates homes in South East London. We are now involved in a broad range of residential activities, from the delivery of private rental apartments in Wembley, to the wholesale regeneration of social housing estates, working in partnership with local authorities such as Havering, Camden and Barking and Dagenham to help them meet their growing housing needs; to creating new homes through our joint ventures with housebuilders. In a hugely positive year for our Residential business, we saw the first house sale completions at our Daedalus development in Hampshire. Our partnership with Orbit to build over 600 homes at Erith Park was awarded 'Best Regeneration Project' at the Inside Housing Development Awards, and Cardiff Living, our partnership with the City of Cardiff, was awarded the Best Starter Home Scheme Gold Award at the What House? Awards.



Property

Our offering also extends to maintaining homes and properties of all types. In 2019 we combined our successful property maintenance business – Wates Living Space – with a re-energised and re-branded facilities management business – Wates FM – to form Wates Property Services. The two businesses are enjoying enormous benefits, improving efficiency and sharing expertise. Both have enjoyed significant growth since coming together, winning work in new markets and with new clients from both the private and public sectors.

The Needspace? business also continued its profitable, upwards trajectory, achieving occupancy rates of more than 82% across its seven premises.

Our goals

In 2019, Wates established three goals to guide everything we do. The goals commit us to becoming even more progressive, trusted and sustainable. To help us achieve these goals, we have set ambitious targets to reduce the waste, carbon and impacts on nature created by our work, and to create an inclusive workplace so we can increase the diversity of our team so it is more representative of the communities we have the privilege of working in. We will only be able to achieve our goals by listening to and collaborating with our customers, our suppliers and with some of our rivals. Our intention is that these dialogues will create more open and productive relationships, improving our ability to meet and exceed customer expectations and making our business attractive to the talented people of all types and backgrounds who we'd like to join our team.

Our wonderful sector needs to change, becoming more diverse, inclusive and sustainable. The Wates Group is committed to playing a leading role in making that change happen, creating as we do so the conditions in which our business can continue to thrive.

J. O. Allen

David Allen
Chief Executive

Our People



Our people are the single biggest reason for our enduring success.

Commitment to inclusion

We are passionate about representing the communities in which we operate, and are committed to becoming a truly inclusive organisation. Our ambitions were outlined in our diversity and inclusion (D&I) strategy, which was launched in July 2019. By 2025, we will make our workforce more diverse, with at least 40% being women, 20% from ethnic minorities, 5% identifying as LGBT+ and 3% identifying as having a disability. As an indicator of our commitment to this strategy, and for the first time in our history, we created the role of Head of Diversity and Inclusion in 2019. The Executive Committee has signed a Diversity and Inclusion Commitment Charter demonstrating its intention to lead by example in this area. The Committee will take specific tangible actions such as adopting flexible working practices and embedding D&I principles into our key business processes such as recruiting, our annual salary and bonus reviews.

One of the commitments made in the D&I strategy was to review our family leave policies. This review has identified some gaps in our policy provisions, which we will address by, for example, providing more support to colleagues with caring responsibilities for children or ageing parents, or both.

Our Women at Wates network is going from strength to strength. In recognition of the poor gender balance in our industry, the network has engaged women across the organisation. Through a combination of activities including workshops and seminars, women across Wates are increasing their skills, confidence

and knowledge and building a network through which colleagues can support and learn from each other. 2020 is a key year for us as we take our first steps to embed the D&I strategy in the way we work.

The way we behave every day influences the success we have now and in the years to come.

Developing our people

We are proud of our Investors in People Gold accreditation, which reflects the quality of our people practices across important areas, including our approach to investing in the learning and development of all our employees. This will be reviewed again in 2020 and we look forward to feedback on our progress with embedding our Guiding Framework and our behaviours.

Central to this is our belief that how we behave is just as important as what we deliver. The way we act from day-to-day will influence the success we have now and in the years to come.

Our Behaviours provide consistent guidance across all roles and career levels in the business. This means we can use them as part of our staff performance review process, and as an anchor for our training, career development, recruitment and promotion activities.

In 2019, we invested c.£1.5m in learning and development and delivered 8,072 staff training and e-learning days. Our award-winning We're Safer Together – Lead and

Drive the Change! safety programmes were delivered to 430 of our leaders in 2019 and supported the continuing improvement in our safety performance.

114 delegates participated in our Professional Supervisor and Manager development programmes and are now en route to gaining a recognised qualification.

Our step change senior leadership development programme, run with Henley Business School, is making a real impact for 20 of our most talented leaders.

We also continue to focus on building the skills needed to deliver quality projects and services for our customers, with 491 employees participating in technical programmes designed to address common defects in construction.

Together with our ongoing investment in Apprentices and Trainees through our Early Careers strategy, these programmes are examples of our commitment to supporting our people at all career levels as they progress within Wates.

Resourcing the business

Our in-house resourcing team is focused on finding the best people to join us. In 2019, 726 new colleagues joined the Group, bringing the total number of employees to 3,763 (at 31 December 2019).

We aim to source talent directly to ensure we can attract a diverse range of candidates at all career levels and across all disciplines and we saw a significant

increase in the percentage of those hired directly in 2019, with 90% of all offers converted to employment.

The Early Careers pipeline remains an important feature of our resourcing strategy, with 139 colleagues on a structured trainee programme. Preparation is underway for a further 56 to join in 2020. In addition, we currently employ 25 apprentices at Level 2 and 3. We have

retained 84% of the trainees who have joined us over the last five years.

As members of the 5% club, an alliance of companies aiming to bring young people into the workforce, we are committed to ensuring that 5% of our workforce is on a formal apprenticeship, student, or graduate training programme. We are on track for exceeding that commitment over the next five years.



Wates Construction

Wates Construction undertakes programmes and projects for government, local authorities and the private sector across education, residential, commercial, leisure and justice sectors.

The business has a strong presence in the residential sector, notably high-density city housing, student accommodation and senior living and is a recognised leader in the design and construction of schools, colleges and universities. The business also specialises in heritage projects and is trusted to care for and restore some of the nation's most iconic and historic buildings, including parts of the Parliamentary Estate.

Wates Construction performed well in 2019, sticking firmly to its strategy, and targeting those sectors and geographical regions where it has the greatest experience and expertise.

Improved cost-planning, more sophisticated building design management processes, greater use of offsite manufacturing and closer engagement with the supply chain have all helped to drive down costs and increase efficiencies in 2019, something the business will continue to build upon in 2020.

Some significant projects and outstanding work included commencing construction on Parliament's Northern Estate Programme, completing additional projects for MEPC at Wellington Place in Leeds, securing the Sandwell Aquatic Centre near Birmingham and working on 24 schools (21 through the Department for Education framework) driving shorter programme durations and cost efficiencies

through our ADAPT solution. Wates became the only major contractor to achieve 'strategic supplier' status with the DfE, while maintaining our position as the leading builder of schools in the UK with £600m of projects in development.

Through its appointment to the Scape procurement framework, Wates Construction has been able to work towards its ambition to be one of the most trusted partners of government and the public sector in the built environment. A huge variety of projects have been delivered under this framework, including science and technology, healthcare, blue-light (emergency services) and heritage.

Looking forward to 2020, Wates Construction will remain committed to serving its core customers, and to continuing to grow all its regional businesses.

The strategic approach in 2020 will be to spearhead change, through technology, innovation, diversity and inclusion, and environmental sustainability, to ensure Wates can thrive into the new decade and beyond.

The objective will be to continue delivering great work, whilst evolving to serve the future needs of our customers.

The objective will be to continue delivering great work, while changing and evolving to serve the future needs of our customers.

"I am extremely proud of our performance in 2019 and the excellent results we delivered. In line with our strategy we achieved further growth last year by increasing our market share in existing sectors and expanding our geographical footprint. We also entered some new sectors, giving us access to a broader customer base. Most importantly, we successfully delivered our projects across the country whilst keeping our staff and supply chain safe, ending the year with industry-leading safety statistics. As part of our strategy, we will place continued emphasis on providing an even more inclusive working environment across our offices and projects, enabling us to build a truly diverse workforce that reflects the communities in which we operate.

Together with our sustained push into offsite manufacturing and our drive to create zero waste and reduce carbon, I believe we enter this new decade well placed to build on the success of the last and take a leading role as we help to move our industry forward."

Paul Chandler
Managing Director,
Wates Construction Group

We enter this new decade well placed to build on the success of the last and to take a leading role as we help to move our industry forward



For more information on our work in construction go to
wates.co.uk/construction



CASE STUDY: LEISURE

Braywick Leisure Centre, Berkshire

One of the first projects to be delivered by Wates through the Scape Framework, the £33.4m Braywick Leisure Centre is the Royal Borough of Windsor & Maidenhead's flagship development and replaces the existing Magnet Leisure Centre in the town centre.

Part of a regeneration area supported by Crossrail's arrival, the building includes swimming pools, an 80-seat café, sports and fitness facilities and a standalone nursery. The space is designed so that it can also cater for cultural events.

A unique architectural feature will be the huge arched glulam beams supporting the glass roof over a central walkthrough area known as the 'Street', with the new building predicted to be 70% more energy efficient than the Magnet.

Despite the discovery of Anglo-Saxon pit houses and ceramics just below the topsoil, which led to a full archaeological survey that unearthed Bronze age materials, the project remains on track for a completion date of August 2020.

70%

MORE ENERGY EFFICIENT



80 SEAT CAFE



STANDALONE NURSERY



SWIMMING POOL

COMPLETION BY:
AUGUST 2020



Glulam beams at Braywick Leisure Centre



CASE STUDY: EDUCATION

Chiltern Academy, Luton

In February 2019, Wates completed an 18-month project – part of its long-standing relationship with the Department for Education (DfE) – to build a new 1,200-place, eight form entry, co-educational secondary school for Luton Borough Council.

The £19.1m project involved the redevelopment of the former sports ground belonging to Vauxhall Motors, and included a sports hall, a 3-court multi-use games area, an activity studio with a sprung dance floor, a car park and an outside learning area on the first floor of the building.

The new 8,160m², steel framed building houses a Free School specialising in sport, engineering and business. It is the seventh school in the Luton and Bedfordshire-based Chiltern Learning Trust.

A challenge of this site was its proximity to Luton Airport, with the school buildings directly beneath the busy flight path, meaning that windows were designed not to open to reduce disruption from aircraft noise. Even with this requirement, the building has been designed to only need air conditioning in areas where there is a lot of IT equipment.

"I have been really impressed with the way in which Wates have delivered this project. The site set up was exemplary - a very clean, well-organised and well-maintained site. The Site Manager is one of the best I have ever worked with, ringing me every week just to update me and check we were happy with progress. Handover was achieved with all snagging signed off. The Trust is thrilled with the school."

Vicky Wibberley
DfE Project Director





CASE STUDY: **HERITAGE**

Farmiloe Building, London

Originally commissioned in 1868 by George Farmiloe for a glass and lead merchants, this Grade II listed building in the heart of London's Clerkenwell has retained much of its original, expansive warehouse space, its stables and its goods yard.

The sympathetic refurbishment was completed in October 2019 and included re-roofing, renovation of windows and a repair of the original Italianate palazzo-style Portland stone façade.

The works also incorporated a five-storey extension and excavation of a single-storey basement to provide Category

A modern offices that connect to the existing building via a glazed atrium. The project required the careful management of 16 Party Wall Awards and achieved a BREEAM 'Excellent' rating.

As a popular location for major film and TV productions such as the Batman 'Dark Knight' trilogy, Sherlock Holmes, Inception and Spooks, the restoration and extension had to be conducted sensitively to preserve the building's Victorian character, with archaeologists from the Museum of London carrying out an extensive archaeological dig before the subterranean works began.



CASE STUDY: **RESIDENTIAL**

The Bank, Birmingham

The completion in November 2019 of Left Bank Tower 2 – a prestigious private rented sector building near the centre of Birmingham – followed the successful delivery of Tower 1 last summer.

The £36m, 33-storey development, comprising 217 luxury apartments, topped with a two-storey crown structure containing loft-style penthouses, is now Birmingham's tallest residential building.

Despite a very constrained site, the tower was finished to a high standard and has excellent facilities, which include a 24-hour concierge service, private gym, residents lounge and coffee bar, as well as private outdoor green space. The building has received a positive reception in the city.

"Our city skyline is being transformed and The Bank is one of the exciting developments helping to make Birmingham an even better place to live, work and invest."

Brigid Jones
Deputy Leader,
Birmingham City Council.



CASE STUDY: **SCIENCE & TECHNOLOGY**

National Horizons Centre, Darlington

The National Horizons Centre marks the start of an era of pioneering innovation and research in UK bioscience at Teesside University, providing teaching, learning and collaboration spaces as well as high-tech laboratories and a computing suite.

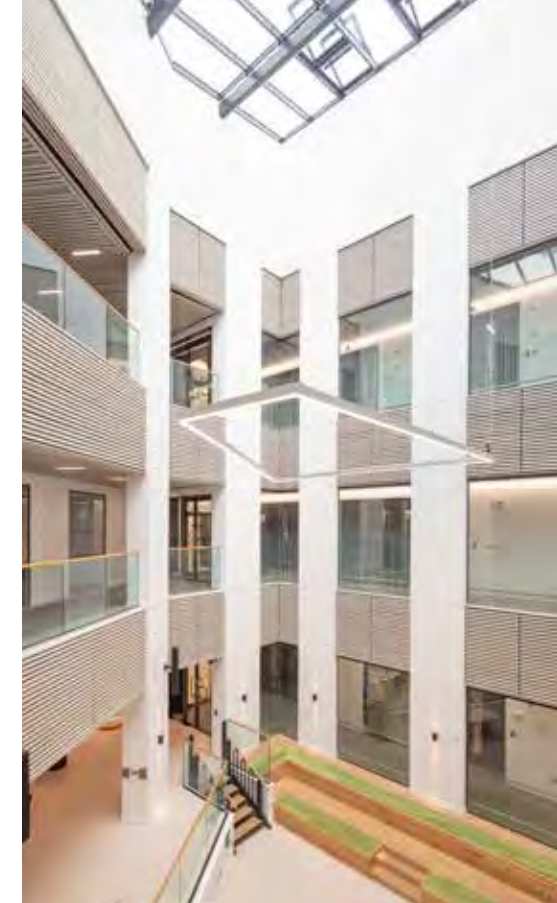
Completed in March 2019, the £22.3m flagship facility, designed to bring together education and industry, sits alongside the National Biologics Manufacturing Centre and the University's Centre for Professional and Executive Development in Darlington's Central Park brownfield site.

The striking new building includes a high-specification bespoke brick colonnade

and a cantilevered roof, as well as highly-specialised mechanical and electrical services and a specialist fit-out to cater for a range of laboratory conditions and uses.

"The new National Horizons Centre is one of the biggest investments we have made so far. Our rich history of innovation, research and development is set to continue thanks to this state-of-the-art facility in Darlington."

Ben Houchen
Tees Valley Mayor



£22.3m
FLAGSHIP FACILITY



COMPUTING SUITE



HI-TECH LABORATORIES

COMPLETED:
MARCH 2019

SES Engineering Services

SES is an outstanding design-led mechanical and electrical engineering (M&E) provider, working in a wide range of environments. It delivers bespoke solutions for the whole construction industry, maximising its project use of offsite manufacturing from its production facility, Prism, in Coventry.

Using offsite manufacturing techniques saves thousands of hours in labour, improves health and safety, enhances quality, and increases efficiency on major projects, particularly those delivered in built-up and logistically challenging environments. SES was the first mechanical, electrical and plumbing contractor to achieve Building Research Establishment (BRE) and Building Information Modelling (BIM) Level 2 Certification.

Following a challenging 2018 – notable for the collapse of a major client, Carillion – SES focused in 2019 on improving efficiency, reducing overheads and boosting profitability, while delivering a sustainable level of turnover and avoiding loss-making projects. The collapse of clients including Interserve at the beginning of 2019 and Clugston towards the end of the year, were blows which would have been a challenge to any business, but SES has demonstrated its financial resilience and prospered through a year notable for a plethora of prestigious industry awards. Carillion's failure came with an unexpected silver lining, with SES picking up more direct work with major clients, rather than via contractors.

Landmark projects won during the year included the regeneration of Battersea Power Station; the Unibail-Rodamco-Westfield Regeneration in Stratford, London; the University of Glasgow's new £90m teaching and learning hub; Phase One of the Milburngate regeneration in Durham; and the M&E contract for Cleveland Clinic's first hospital in London. In addition, SES developed and completed major projects for Vita Student accommodation in Leeds, and E.ON Connecting Energies in Rugby.

Offsite to new site

SES continued to expand its offsite capabilities through the use of its offsite facility, Prism, which moved to new larger premises in Coventry to meet increased demand for offsite.

Prism manufactures and assembles mechanical and electrical products essential for construction projects, particularly utility risers and plantrooms. Coventry has a proud engineering heritage and pool of high-quality, skilled labour. The 68,000 sq. ft. facility will open officially in the spring of 2020, and now already has a healthy and growing pipeline of work.

“Our investment in Prism and our high-profile project wins this year set us up for greater profitability and growth. We have invested significantly in new technologies and people, delivering complex, technical projects on time and on budget. Our reputation continues to rise at both a regional and national level, which will be important as we look to target complex new opportunities in the competitive infrastructure and high-tech sectors.”

Jason Knights

Managing Director,
SES Engineering Services

An award-winning year

SES continued to achieve industry recognition for excellence, particularly in health and safety and for offsite manufacturing.

Awards included:

- British Safety Council's International Safety Award, for the 23rd year in succession
- CIBSE Society of Digital Engineering Awards – Best Contractor
- RISE Awards – for Collaborative Working: GSK's aseptic manufacturing facility, Q Block and the Enterprise: York Community Stadium
- Offsite Awards - Best Use of MEP (Mechanical, Electrical and Plumbing) & Pod Technology category for GSK's aseptic manufacturing facility, Q Block

The business continued to be active in the community, such as through its annual Hovercraft Day challenge for girls from local schools across Yorkshire. This initiative aims to challenge perceptions and encourage more women into engineering.

People remain SES' most valuable asset, and the focus on team safety will continue in 2020. Flexible working will be promoted and colleagues will be supported with better use of data and technology (including field tools), to drive even higher levels of productivity and efficiency.



CASE STUDY: SES ENGINEERING SERVICES



GSK Aseptic Manufacturing Facility – Q Block

Science-led global healthcare company GSK is the world's largest distributor of vaccines. It committed £94m to designing and constructing a highly complex and world-leading, aseptic manufacturing facility – the 11,500 sq. m 'Q Block' at its Barnard Castle site, in County Durham, selecting SES to provide digital and offsite construction to deliver the project.

The project team's early appointment ensured that offsite manufacturing principles, prefabrication and BIM (Building Information Modelling) could be applied effectively. SES's BIM Level 2 expertise and experience combined with its Prism capability, ensured it could influence mechanical and engineering design at the outset of the complex and highly regulated facility.

New technology, including augmented and virtual reality, has been deployed extensively throughout this project, from the initial requirement for 'clash control' (plotting the position of pipes and wires to maximise space and avoid congestion) and BIM use, to looking at how BIM can improve facilities management and business readiness.

The offsite approach to the construction of the facility has earned the project and SES several regional and national awards, including the RISE Award 2019 for Collaborative Working, and the Best Use of MEP and Pod Technology award at the Offsite Awards 2019.

“The investment in biopharmaceuticals is critical to the future of pharmaceuticals and this is a flagship project for global investment. The idea is to replicate the design globally on secondary sites, building in the flexibility within individual modules, but also future-proofing the design for at least 10-20 years without the risk of drug regulatory impact, hence reducing future design costs. I believe this can only be achieved using offsite technology.”

GSK Project Manager



MULTI AWARD WINNING PROJECT

11,500m² PHARMACEUTICAL FACILITY

OVER 500,000 SAFE HOURS WORKED

Wates Smartspace

Wates Smartspace is a national business, delivering high-quality fit out, refurbishment and property upkeep projects, enhancing its customers' operating environments.

Key sectors include commercial offices, broadcasters, pharmaceutical, retail, developers, banks, distribution centres and public sector premises, with project values ranging from £20k to £25m.

Smartspace experienced growth in 2019 despite challenging market conditions. Relationships were strengthened, due in part to the focus it placed on working collaboratively with its customers to find cost effective solutions. New work was won across different sectors with public sector orders increasing, and all while retaining an enviable health and safety record.

In 2019 Smartspace undertook 660 projects across the UK. These ranged from logistically challenging 'CAT A' (basic landlord fitout) and 'CAT B' (style, fittings etc.) fit-out projects to extensions, structural alterations and critical resilience projects, often working as an unobtrusive presence within live operational environments.

A strategic focus of 2019 was to grow public sector customers to provide a more balanced business. Along with key commercial customers Marks & Spencer, GSK, and the UK's top four major high street banks, key public sector customers included the BBC, HMRC and the Ministry of Justice.

Long term relationships are key to business success, with over 74% of business in the form of a framework or long-term contractual agreement. In 2018, Wates introduced the Net Promoter Score (NPS), an independent assessment from its customers of its performance across a range of areas. The business identified areas for improvement and embarked on a 12-month improvement programme, and a resulting 53% uplift in the NPS in 2019.

We deliver projects in live environments often working around business-critical equipment

Health and safety performance was almost unblemished, with no (RIDDOR) reportable injuries for the entire 12 months, as well as an industry-leading Lost Time Injury Rate of 0.000, and this commitment to improving the image of the construction industry, was recognised with the award of nine Considerate Constructors Scheme (CCS) awards and an average CCS score of 40.

To ensure Smartspace is fit for future challenges, it has invested in its delivery model, putting a four-year partnership framework in place with the construction recruitment specialist McGinley CEP to help provide and care for all site and project management staff. With so many projects having to be delivered within

very short timeframes, this will ensure the right people, with a diverse range of skills and expertise can be deployed where they are needed.

"Our success is underpinned by our high performing teams. We pride ourselves on employing experts who lead the field in their specialisms. The team's ethos is demonstrated daily in their attention to detail. We deliver projects in live environments, often working around business-critical equipment; and we do this while continuing to manage safe, high quality programmes 24 hours a day, seven days a week, across all parts of the UK."

Helen Bunch
Managing Director, Wates Smartspace



For more information go to
wates.co.uk/smartspace

CASE STUDY: WATES SMARTSPACE

Marks and Spencer

Wates Smartspace has been involved in the refurbishment and fit-out of M&S stores for over 16 years, delivering over £500m worth of work and completing over 200 Foodhalls and 50 full line stores across the UK and Ireland. Work involves installation of mechanical and electrical equipment, fixtures, fittings and equipment for both front of house and the back of house preparation areas. Over the course of 24 weeks, the 'masterbrand' workstream completed the external rebranding of 188 stores nationwide – averaging eight project completions per week.

The Kingsley Village store near Newquay, completed in October. The team fit out a newly constructed shell to create a full line M&S store. The 15-week programme for a space of 68,000sq ft included a revamped foodhall, café with customer WCs and general merchandise areas. To minimise the impact of travelling time on the supply chain, a seven-day shift pattern was developed. The project was completed on time and was well received by the customer.



CASE STUDY: WATES SMARTSPACE

HMRC, Edinburgh

Smartspace was appointed as lead contractor for the fit out of Queen Elizabeth House, the UK government's new Hub in Edinburgh. The Hub will establish a visible UK government presence in Edinburgh, providing over 17,500 sq. m of centrally-located office space for around 3,000 staff from more than 10 departments, including the Office of the Secretary of State for Scotland (OSSS) and the Office of

the Advocate General and the Cabinet Office. Due to open in April 2020, the building has been designed to support flexible and collaborative working. It will consolidate the UK Government estate into a modern office including ministerial, event and press facilities for the first time in Scotland. The site has enjoyed several client visits as work as progressed, including a visit from the OSSS ministerial team.



Wates Property Services

In 2019, following a strategic review, Wates created Wates Property Services (WPS), a business focused on housing maintenance and facilities management across the UK.

WPS employs 1,750 property services experts, with market-leading expertise in housing and corporate building maintenance.

The division incorporates two brands: Wates Living Space (WLS) - a well-established housing maintenance business, that delivers responsive repairs, building compliance and refurbishment services across the UK. The business is synonymous with high quality, safe, property services;

Wates Facilities Management (Wates FM) - focusing on delivering hard FM services across the UK, to corporate and public sector clients, ensuring safe, compliant working environments. The business has very high levels of client retention and customer satisfaction.

"2019 was a great year for Wates Property Services. We achieved excellent customer satisfaction scores, developed positive relationships with new customers and actively developed our people to ensure we always deliver work at the highest possible standard – whilst also looking after the health, safety and wellbeing of our teams, customers and communities."

We will build on this growth in 2020, continuing to focus on our core business areas of responsive and planned maintenance and compliance and fire risk assessment works, while broadening our offer to include facilities management. With this growth comes a continuing commitment to the communities in which we work. As well as welcoming local people to train and work within our teams, we will engage with community groups, schools and charities to ensure we leave a positive legacy."

David Morgan
*Managing Director,
Wates Property Services*

**With this growth
comes a continuing
commitment to
the communities
in which we work**

The refurbished
Boat Blocks apartments,
Birmingham



For more info on Wates Property Services go to
wates.co.uk/property-services

Wates Living Space



Wates Living Space (WLS) is one of the UK's leading providers of planned and responsive maintenance services in social housing, maintaining hundreds of thousands of homes every year.

It provides a broad range of services for partners, supporting the regeneration of disadvantaged communities and improving living standards for residents by renewing existing housing stock. The business is also a leading provider of Fire Risk Assessment works for local authorities and housing associations and undertakes the refurbishment and protection of dangerous structures.

In 2019 WLS continued to build on its well-established presence in the social housing sector. Successful collaboration with customers was recognised with key

industry awards, and in the continued growth of the business with new work, being secured from both existing and new customers.

More than 500,000 homes were maintained across the UK, with high levels of customer satisfaction recorded across 60 housing association and local authority customers.

The year saw WLS secure further work with existing customers such as Birmingham City Council, Peabody and Brent Council as well as forging new partnerships with Barnsley Council, West Lancashire and Crawley Borough Councils. The business was also appointed to some key frameworks including CCS for Defence Infrastructure Organisation Housing Maintenance – in keeping with its ambition to provide exceptional repairs and maintenance services for public sector customers across the UK.

With the continued focus on building safety, WLS is working with customers to install sprinklers, and replace cladding and fire doors. This critical work is a key area of expertise and will continue to grow in 2020 and beyond.

Community engagement

Support for community initiatives and customer engagement is embedded in the WLS ethos. The social enterprise sector forms a core part of the Wates supply chain and in 2019 WLS spent over £1.16m with social enterprises across the country. The business is committed to continuing to advance this agenda in 2020.

Its Resident Liaison Officers play a key role in promoting community relations at a local level - working within diverse communities - ensuring that all residents have confidence in the service being provided to them.

£25m
CONTRACT

MORE THAN
30,000
ANNUAL
REPAIRS

CASE STUDY: **WATES LIVING SPACE**

Peabody

Wates Living Space has delivered day to day responsive repairs, fire safety works and planned maintenance services for the Housing Association Peabody, since June 2017. In early 2019, WLS secured a new four-year framework contract with Peabody for responsive repairs and specialist works, covering a wider geographical and specialist remit across London.

With a total expected contract value of more than £25m, the work will involve more than 30,000 annual repairs, electrical repairs and upgrades, passive fire protection works, door replacements, gas heating and hot water installations, daily repairs and compartmentation.

As with all responsive repairs, most of these works will be delivered by a directly-employed workforce, with the rest fulfilled by specialist subcontractor SMEs. Technical innovation in service delivery was one of many key drivers of

this procurement and Living Space will be working with Peabody to deliver a high-quality, future-proofed, innovative service that improves resident satisfaction.

As part of the service delivery, WLS has implemented its upgraded maintenance system to ensure Peabody gets an effective, efficient and customer focused service through end-to-end works management, including real time communication, data capture and smart reporting and analysis. WLS is also supporting Peabody's digital modernisation programme and has created a 'Digital Roadmap' to guide future innovations.



CASE STUDY: **WATES LIVING SPACE**

Wolverhampton Council

Wates Living Space was appointed by Wolverhampton Homes in a contract worth close to £115m. This 15-year contract started in April 2013 and involves the delivery of a programme of full maintenance works across Wolverhampton's stock of approximately 7,000 homes.

Throughout the partnership, WLS has also delivered several additional external works projects such as Heath Town. This was a three-year, £9.5m project including rooftop extractor fans upgrades, fire risk assessment works, heating, electrical and shower upgrades.

The success of this project then led to the Chetton Green refurbishment, where WLS installed electrical, soil pipe and vent systems and fire compartmentation to three tower blocks; fire stopping between flats; replacement of communal fire doors and other associated works. All this was delivered on time and with

an unblemished safety record. The refurbishment works also achieved a Gold award from the Considerate Constructors Scheme.

Employment and training opportunities have been provided through the partnership, including:

- More than 200 people in Wolverhampton trained and then employed
- 2,038 training and employment weeks created for local people
- Wates employees have invested over 13,000 hours in support
- Over £700,000 worth of investment in training local people

The business was also awarded the City of Wolverhampton Community Excellence Award in 2019 for services to the Community in Wednesfield North.

£115m
CONTRACT



**MORE THAN 200
LOCAL PEOPLE TRAINED
AND EMPLOYED**



**CITY OF
WOLVERHAMPTON
COMMUNITY
EXCELLENCE AWARD**



CASE STUDY: **WATES LIVING SPACE**

London Borough of Camden

Since March 2013, Wates Living Space has been working with the London Borough of Camden on a 10-year contract, worth over £100m. The contract includes programmes of repairs, compliance work, void refurbishments and planned maintenance works across Camden's residential housing stock, covering around 33,000 homes.

Over the course of the contract WLS has improved continuously by increasing supervisor post-inspections of completed work and introducing annual MOT health checks of the stock to improve asset data for the council.

In addition to this work, WLS was awarded a £100m tender for the refurbishment of five residential tower blocks in the Chalcots Estate. The main element of the works will comprise the replacement of the external cladding and the vertical window systems, including removal of the remnants of the old façade and window system which had been left in place by the previous refurbishment works.



Wates Facilities Management

Wates FM is a growing presence in the UK facilities management (FM) sector, providing self-delivered mechanical, electrical and total FM services to an impressive client list across the public and private sectors.

Operating in 16 different environments including the healthcare, education, leisure, financial, corporate and legal sectors, the business' ambition is to be the most trusted partner in facilities management.

The creation of Wates Property Services has enabled the Wates Group to maximise the synergies that exist between Wates Living Space and Wates FM and in turn, present a stronger proposition to existing and future clients. This has created immediate opportunities both with private and public sector clients.

Wates FM (formerly trading as Wates Smartspace FM) successfully retained all key contracts in 2019 and has won its first public sector contract, for West Midlands Police. An additional 24 colleagues were welcomed to the business during the year, bringing the total number of employees to 219.

This growth and success has been achieved while maintaining an impressive health and safety record, with over 1,000 days since the business' last reportable (RIDDOR) injury.

The outlook for 2020 looks positive with a strong pipeline of work, particularly in the public sector, creating the realistic prospect of annual growth of 10%.



CASE STUDY: **WATES FACILITIES MANAGEMENT**



DLA Piper

DLA Piper LLP is one of the world's largest law firms, offering a vast range of services to an impressive client list. Its offices must be fully functional 24 hours a day, all year round, to ensure that it can respond to client needs around the world at any time.

Since 2012, Wates FM has delivered planned mechanical, electrical, and building fabric services, as well as reactive and project works. It operates and maintains ten sites across the UK, covering London, the Midlands, North West and Scotland – using a mix of resident site and mobile engineers.

Wates FM has developed a significant presence in the legal sector. Recognising and understanding the unique dynamics of how law firms operate has been central

to achieving this. For DLA Piper, any down-time of facilities is not an option. The Wates FM team ensures that every building is always fully functional. Cultural alignment and building user engagement have been key to this success, developing a mutual trust and respect, which has enabled the partnership to strengthen over time.

An important element of this is the provision of a dedicated Legal Sector Account Director to ensure we achieve consistently high levels of engineering, safety and service management. Wates FM measure performance against stringent service level agreements using its Concept Evolution system, which customers can access in real-time for live progress updates.



CASE STUDY: **WATES FACILITIES MANAGEMENT**



West Midlands Police HQ, Birmingham

The first evidence of success in Wates FM's ambition to broaden its remit into the public sector came in September 2019, with the award of its first public sector contract, for West Midlands Police.

The new contract, spanning an initial two years, with the scope to extend for a further three, involves the provision of planned mechanical and electrical engineering work, services for the fabric of the building, reactive maintenance and project works for the force's Birmingham HQ, Lloyd House.

The 1970s city centre building was refurbished in 2018 and is now home to around 1,500 West Midlands police staff.

Wates FM will use a combined team of permanent, site-based engineers and mobile engineers to service the building, and as it's essential that the headquarters can be operational 24 hours a day, real-time tracking applications will be used to provide the client with updates about when and where work is happening, reducing disruption for officers and support staff.

Along with delivering core services, Wates FM will also focus on a programme of community investment in employment and training opportunities for local people and in local community initiatives, for example with local schools.





77 Bastwick Street, Clerkenwell

Needspace?

Needspace? provides quality managed, flexible workspace to a growing number of small businesses in London and the South East, offering a range of office, workshop and studio units to businesses looking to grow in an entrepreneurial environment.

Needspace? has an expanding portfolio of premises, now owning and managing spaces in Clerkenwell, Clapham, Earlsfield, Hammersmith and Islington in London, and Crawley and Horsham in West Sussex.

2019 proved to be another solid year for the business, with its seven established business centres delivering average occupancy rates of 82%.

At Bastwick Street in Clerkenwell, the business completed the refurbishment of the second and third floors, with new air-conditioning and furniture, providing 'plug and play' spaces designed specifically for small businesses with around 20-30 employees.

The second floor of Shepherd's Bush Road in Hammersmith was refurbished with part of the floor being re-let to a technology company within a month of works being completed. The occupancy of the first-floor business centre, created

in 2018 to provide nine stylish workspaces was improved. Seven of these spaces have now been let, with occupancy rising from 74% to 94% since the building was acquired, and turnover increasing by 19%. Planning consent was also received to in-fill part of the undercroft car park to create an additional 2,360 sq. ft. of office space and a much-improved reception area.

The sustained high levels of occupancy across the portfolio and the planning consent at Shepherd's Bush Road helped to deliver a £1.19m uplift in the value of the portfolio. Over the last ten years the business has delivered an average return on capital employed of 14%.

The push to improve the business' systems and procedures led to the roll out of ACT – Needspace?'s new statutory compliance software – to help ensure that all seven centres achieve the highest standards of health and safety and statutory compliance.

Needspace? has three key areas of focus for 2020:

1. To continue to reduce its carbon footprint by installing new sustainable technologies across the portfolio. There was good success at Islington and Earlsfield at the pilot stage where Endotherm* and Magnatech* were used to achieve an increase in energy efficiency of around 12%. The

intention is for these technologies to be introduced across the rest of the portfolio together with LED lighting.

2. To keep driving value from the existing portfolio. This includes the letting of Bastwick Street and the implementation of the build works at Shepherd's Bush Road.
3. To remain on the lookout for suitable acquisition opportunities to expand the portfolio.

"It has been another successful year for the Needspace? business. Demand for our quality, affordable workspaces has remained stable despite the economic head winds caused by Brexit and the General Election. The team have much to be proud of, including a planning consent at Hammersmith and an increase in the value of our portfolio".

Charles Wates

Managing Director, Needspace?



For more information go to wates.co.uk/needspace?

*see p. 39 for explanations of these and other examples of sustainable technology offered to clients through Wates Sustainable Technology Services.

CASE STUDY: NEEDSPACE?



Oliver's Travels

Needspace? aims to support small businesses and help them develop by providing affordable quality managed workspace when they need it. Oliver and Ravi of Oliver's Travels are a perfect example of how the business supports its clients as they grow their businesses.

Oliver's Travels is a luxury villa company with a portfolio of over 5,000 holiday homes across Europe, the Caribbean, North America, Bali and Thailand, focusing on family and large group holidays in quirky homes with character. In 2019 the company made the Sunday Times Fast Track list of the top 100 fastest growing private companies in the UK.

"We've experienced 600% growth over the last five years from our Clapham office – and it's showing no signs of slowing down! We've expanded our offices from a small team of 10 in one office to a large team of 55 across four offices. Needspace? has worked with us to get us the space we need, and they've been really easy to deal with; their helpfulness and flexibility has allowed Oliver's Travels to continue to grow in a location we really love, and we couldn't be more grateful."

Mr. Ravi Sabharwal

Co-Founder and Director, Oliver's Travels



CASE STUDY: NEEDSPACE?



Tastes of Italy

Tastes of Italy is a specialist food and wine tour operator working with customers in the UK and worldwide, arranging food and wine trips for individuals and businesses to Italy, with clients from as far afield as Hong Kong, the USA and Australia.

William Goodacre and his team began trading from Needspace's first business centre in Earlsfield, South-West London, 12 years ago.

"I started in a two-person flexible office space, then due to business changes I downsized to a desk in a shared office. I really enjoyed being in a shared unit as I found the interaction between other clients beneficial and often sought their opinions on business matters. Last year we grew so I moved back into my own private office. Needspace? gives small independent businesses the flexibility to downsize and upsize and the building is maintained and managed well. Most importantly for me is that I trust my landlord and with Needspace? I do, and why I have been here for such a long time."

William Goodacre

Director, Tastes of Italy



Wates Residential Developments Group

Wates Residential Developments Group (WRDG) is focused on all aspects of the residential development market, from land, planning and development expertise to construction delivery and sales. The Group comprises Wates Residential and Wates Developments, and works with a wide range of partners from both public and private sectors.

The businesses' shared objective is to support the UK's substantial need for new homes and local infrastructure to create communities for people to live and thrive. Positive stakeholder engagement is at the heart of everything it does, as is the Wates Group's focus on sustainable development.

2019 was a year of significant progress in more challenging housing market conditions, where a combination of Brexit and the political uncertainty ahead of a General Election led to a more uncertain planning environment, with many Local Plans and key planning decisions being delayed.

Despite this environment, WRDG's public sector development partners and customers continued to push forward with their own development investment agendas leading to a strong pipeline of new investment schemes and site starts. Maintaining a good balance of both public and private development and regeneration activity gives the WRDG real resilience.

In anticipation of a softening of private housing sales demand, the business took steps to slow the pace of build delivery on a number of active development schemes in joint venture with private housebuilders, whilst also increasing our investment in land portfolio opportunities. This allowed the business to control invested capital and maintain margins at attractive levels.

Overall, WRDG achieved a good outcome in 2019, contributing significantly to the Group's financial performance.

Wates Developments' performance was driven by excellent joint ventures and some significant land transactions, albeit fewer than in recent years. Wates Residential made excellent progress in both its contracting and development activities with a significant rise in profits.

WRDG is now a business of significant scale and expertise with a current development pipeline totalling around 21,000 homes and £170m of capital currently committed

to various residential development investments. The group employs over 214 people across both businesses, an increase of 52 over the year.

"The Wates Residential Developments Group remains focused on high-quality development partners in specific regional markets. Working with high-quality development partners. Its long term private and public sector relationships, opportunity pipeline and financial strength, give the business real resilience and optimism for the future."

In 2020, the business will continue to evolve and will add to its housing offer 'Turnkey' development opportunities and Development Agency or home sales services for public sector and Housing Association partners who wish to outsource development investment activity."

David Brocklebank
Group Managing Director,
Wates Residential Developments Group



For more information go to
www.wates.co.uk/services/residential-development/



Positive stakeholder engagement is at the heart of everything it does, as is the Wates Group's focus on sustainable development

Silverbale Park, St. Mellons, developed by Wates Residential and Cardiff Council through the Cardiff Living partnership



Employees

214

PEOPLE ACROSS BOTH BUSINESSES



UP 52 OVER THE YEAR

Current development pipeline totalling around

21,000 HOMES



£170m

currently committed to various residential development investments



Wates Developments

Beaumont Park, Ringwood



Wates Developments specialises in land, planning and residential development throughout the South of England, with a large and growing portfolio of potential residential development land. The business focuses on securing land and delivering planning consents in sustainable town and country locations, in areas of high demand.

Wates Developments generated value across all areas of its operation in 2019, despite a challenging planning environment. It has now built a portfolio of over 65 sites at all stages of planning, representing over 15,000 homes together with a further 3,000 homes in active joint ventures with partners.

In 2019, this expertise enabled important consents over the year with over 3,000 potential homes sites newly allocated into Local Plans.

There was continued success in the land market, with important sales during the year at Felbridge, Hungerford and Windsor. New home sales through house builder joint ventures amounted to 493 across 14 live sites.

Looking ahead to 2020, the business anticipates selling homes in joint ventures across 15 active sites.

The year will also see a significant increase in planning opportunities capable of gaining consents with key sites in Bicester, Ford, Basingstoke, Buckingham, Tenterden and Oakley, amongst others.



For more info go to wates.co.uk/wates-developments/



CASE STUDY: WATES DEVELOPMENTS



Walberton, West Sussex

The development of a range of new homes and community benefits at a site in Walberton, West Sussex, is an example of what is achievable in planning and development terms with the right engagement from all stakeholders.

Working closely with Arun District and Walberton Parish Councils, Wates Developments created an attractive development of 175 new homes, which was unanimously consented by the Arun Planning Committee at a local level only 12 months after we had entered into a Land Promotion Agreement with a local

landowner. The site did not have previous development plan status, making the success truly exceptional.

The land was acquired into a joint venture between Wates Developments and Linden Homes in 2018, with all reserved matters approved in April 2019 and work on site commencing during the summer.

Community amenities created by this scheme include 11 acres of open space incorporating play areas, allotments, community orchard, a new tennis club for the Parish Council, significant transport

improvements to the A27, upgrading local footpaths, pedestrian crossing points and contributions towards upgrading the Walberton Village Hall, a Sports Pavilion and village car park.

The first residents are due to move into the traditionally designed two-, three- and four-bedroom homes at 'Avisford Grange' during Spring 2020. The scheme includes 56 affordable homes for local people.

CASE STUDY: WATES DEVELOPMENTS



Ringwood, Hampshire

Wates Developments' scheme at Ringwood in Hampshire is a great example of how an integrated planning approach can deliver a truly mixed-use development meeting the needs of families, the elderly and local businesses alike.

Wates collaborated with local planning officials in Ringwood to bring forward an inventive, enhanced scheme that includes care home and business space to boost local employment.

The location – a desirable area close to the New Forest National Park and just 12 miles from Bournemouth's award-winning beaches – is one with significant housing need. An efficient re-modelling of the layout has also led to increased housing number from 174 to 195 new homes.

In addition, a range of significant community benefits have been integrated into the development including:

- a children's adventure playground and an animal play park
 - 1.6 acres of allotments, and
 - 9.38 acres of informal open space and SANG* land within the scheme.
- Additional uses have also been created, including:
- 1.5 hectares of land for industrial and commercial employment units
 - Land for a 70+ bed nursing home

The final phase of the development is now being built out.

*Suitable Alternative Natural Greenspace



Wates Residential

Wates Residential develops mixed tenure housing schemes in partnership with public sector bodies and housing associations. The team believes that everyone deserves a great place to live and is committed to addressing the UK's urgent need for new housing. As well as building and selling open market homes, the business also delivers affordable homes with local authorities and housing associations.

Wates Residential recorded another year of significant growth in 2019 and achieved its fourth consecutive year of operating without a reportable health and safety incident.

The business also continued to expand the number of contracting and development schemes throughout the South and in Cardiff and now has 17 sites. The forward project pipeline is approaching 7,000 new homes, demonstrating the strength of the business' strategy.

The team's vision carries through to every partnership and scheme that it develops. A notable success in 2019 was the amount of repeat business we secured. This includes two new schemes with joint venture partner Havering Council, a second and third scheme underway with Orbit Group at Park East and West Street, a second phase of Abbey Road with Camden Council, two further schemes with Wandsworth Council, and further sites in development with its development partner Cardiff Council through Cardiff Living.

Other achievements in 2019 include:

- Continued development portfolio growth to 8 live sites and over 6,650 homes
- Expansion of contracting activities to nine live sites and over 1,800 homes (with a forward order book of £1.1bn)
- A growing team, with the addition of 66 new colleagues during the year
- Winning the What House? Gold Award for Best Starter Home Scheme in recognition of the Cardiff Living partnership with Cardiff Council
- Winning the Inside Housing Development Award for Best Regeneration Scheme for the Erith Park development with Orbit Group
- Recording the first completions at Daedalus Village
- £25.5m investment in social value, including 21 apprenticeships, 48 work experience placements and 2,481 hours invested in volunteering in the local community
- £157,262 spent with social enterprises.

"The business continues to establish a strong housing brand for open market and affordable sales in the residential sector.

The focus for 2020 will be on mobilising exciting new projects and selling new Wates Residential homes on our current schemes, recognising that it is another year of further substantial growth for the business. This will be carried out while maintaining an excellent reputation for delivering quality homes, safely."

Paul Nicholls
Managing Director, Wates Residential



Ministerial visit to Daedalus Village, July 2019

CASE STUDY: WATES RESIDENTIAL

Daedalus Village, Lee-on-the-Solent

Wates Residential was chosen by Homes England, the Government's housing delivery agency, to act as its delivery partner in breathing new life into the historic former Royal Naval Air base site in Lee-on-the-Solent now known as Daedalus Village.

This development scheme is expected to be complete by the end of 2020 and will deliver 200 new homes. This includes 120 private and 80 affordable homes.

The scheme aims to celebrate the rich heritage of the area, with children from Lee-on-the-Solent Junior School and members of the Lee Resident's Association given the opportunity to name apartment buildings based on the history of the site.

One year in, the first new residents have moved into their new homes and £10.6m of social value has been generated for the local community.



CASE STUDY: WATES RESIDENTIAL

PopUp Business School, Havering and Wates Joint Venture

The PopUp Business School, which runs across the UK, came to Havering in May following a successful Wates Giving grant application by joint venture partners Havering Council and Wates Residential.

Budding entrepreneurs from Havering were encouraged to set up new businesses and kick start their careers after completing the free business training course.

Havering Council is currently working in partnership with Wates Residential to deliver more than 3,500 new homes over the next 12 to 15 years. As part of the project, the partners are investing in education, training and skills to support the commitment to deliver a borough-wide legacy. More than 80 local residents took part in the course, which helps make business dreams a reality through practical training, workshops and confidence building sessions.

Just three months on, course attendees were already breaking ground on their business ventures with 38% starting to trade and 41% having made their all-important first sale. The new businesses include start-ups in the real estate, craft, health and social work, food and entertainment sectors.

One participant was encouraged to step outside her comfort zone and speak with the manager of the local branch of Waterstone's on her lunch break. Her book is now proudly displayed on the shelves of the Romford branch.

"The PopUp Business School is the most inspirational and motivational experience that you'll ever come across – it sparked lots of ideas and I'm thinking about turning the main character from my book into a brand."

Carole Local Resident



Sustainability Report

The Wates approach to sustainability is encapsulated in the Guiding Framework and the Group's purpose of inspiring better ways of creating the places, communities, and businesses of tomorrow.

The Wates Family's belief that good business, done well, can be a force for good in society is a responsibility Wates takes seriously.

As well as preparing this Sustainability Report, Wates has adopted Streamlined Energy and Carbon Reporting (SECR) a year ahead of being legally required to do so. By reporting in 2019, this first submission focuses on meeting the mandatory and selected voluntary aspects of the Energy and Carbon reporting obligations. The SECR can be found in page 43 of this report.

The four areas on which our effort to make Wates more sustainable is focused – people, the environment, buildings, and communities – are reflected throughout the business. Wates' aim is to drive a more circular economy by delivering tangible social, environmental and economic benefits for the communities in which it works. The Group has committed to a range of initiatives and programmes that impact the environment positively, improve people's wellbeing, stimulate innovation, and create employment opportunities for those furthest from the workforce.

"We are restless in our efforts to create and protect sustainable communities, buildings, people and environments, and to inspire positive behaviours that drive the safe delivery of projects which have a long-lasting, positive impact."

John Dunne
Executive Committee member responsible for Wates' sustainability programmes

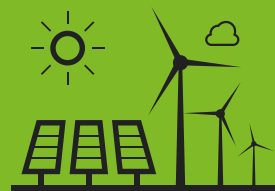
97.4%
of waste diverted
from landfill



5,000
trees planted
during the year



65%
of energy demand
provided from
renewable sources



PEOPLE

A sustainable Zero Harm working environment

Wates' continuing commitment to creating a sustainable Zero Harm working environment has enabled the Group to deliver an industry-leading safety performance for three consecutive years.

2019 ended with a Lost Time Injury Rate (LTIR) of 0.050, comfortably achieving the Group's 2020 Zero Harm goal of 0.100.

Since the launch in 2016 of the Zero Harm strategy and its supporting 'We're Safer Together' campaign, the probability of sustaining a significant injury during a working lifetime spent on Wates sites has reduced by 80%.

The continued improvement in creating Zero Harm working environments for everybody – whether on sites or in offices – is further evidenced by a 2019 Accident Incidence Rate (Reportable Injuries per 100,000 workers) of 75, being 79% below the construction industry average for 2018/19 and 76% below the average for Build UK members over the same timeframe.

Alongside these results, the Wates Group has continued to invest in professional learning and development. By the end of 2019, 615 leaders had attended its 'Lead the Change!' programme, and 635 managers completed its associated programme, 'Drive the Change!'. These programmes are a fusion of leadership development and behavioural safety training aimed at challenging leaders and managers across the business to think differently about safety without necessarily being safety experts.

Both these courses have been instrumental in achieving a huge step-change in the perception of responsibility for safety and, in conjunction with the 'We're Safer Together' campaign, won the 'Health and Safety Solution of the Year' award at the nationally-recognised 2019 London Construction Awards.

Making working environments safer

Wates is determined to keep driving improvements in health and safety and to make its work environments even safer. To support this, in 2019 the latest iteration of our field tools devices and software

were introduced across all sites, and professional and visual standards were updated to encourage and guide the highest standards of site organisation and safety. This resulted in an average CCS score of 41; 1.5% above the industry average.

Over the course of the year, 196 tours by Executive Committee members were conducted on sites, and over 40,000 on-line and on site safety inductions were completed by operatives.

Health matters

Workplace health and mental wellbeing matter. In 2019 the Wates Group was awarded Bronze in MIND's Wellness Index Awards. This award is given to employers who have started their journey towards better mental health at work by developing and implementing initiatives that promote positive mental health for staff.

This was the first time the business entered for accreditation, which was based on an all-staff survey in December 2018. Building on its outcomes, further research was carried out to identify the key areas of employee concern and awareness.

By the end of the year, Wates had trained 273 employees as Mental Health First Aiders and had established a network of 30 Regional Mental Health First Aider Champions.

The Mental Health First Aiders (MHFAs) work across the UK to listen to and provide guidance on the available support to struggling colleagues. Over the last twelve months, research has been undertaken to measure the impact of these MHFAs. It shows that 95% of them have used and applied their skills since

their training, dealing with a wide range of issues such as depression, bereavement, financial difficulties, bullying, harassment, anxiety, work-related stress, personal relationships, domestic abuse and people having suicidal thoughts.

This research is helping to drive communications around mental health, suicide awareness, stress and fatigue, and work/life balance.

During 2019 there was a learning and development programme provided to Safety, Health and Environment advisors to equip them with the skills to run stress management workshops and provide 'Occupational Health in Construction' training to colleagues.

THE ENVIRONMENT

The Group increased the proportion of waste diverted from landfill to 97.4%.

There were improvements in energy performance, with 95% of sites using Wates' single energy provider which, in 2019, managed and installed over 1,100 commercial and domestic meters. Since 2016 Wates has used its buying power to procure all its energy from one provider, which has ensured it can explore the best, and 'greenest' options available in the energy market. This approach has not only resulted in £1.5m in cost savings but also an estimated 1% reduction in carbon emissions. The Group has also reported a significant increase in the use of renewable energy to power sites and offices from 41% in 2018 to 65% last year.

The Group's data on carbon emissions has been verified by the Carbon Trust and show a 9% increase in carbon emissions from 2018 and a reduction since verification began in 2016 of 1%.



Five-year environmental strategy – Changing our Habits

Public awareness of the impact of climate change grew rapidly in 2019. It was against this background that the Group developed a series of challenging environmental targets, which were announced in January 2020. The three key targets – to be achieved by 2025 are:

- **Zero Waste from Wates Operations by 2025**
The objective is to eliminate waste produced as a result of materials bought and / or used in the process of delivering and managing our work.
- **Zero Carbon from Wates operations and operational vehicles by 2025**
This is based on scope 1 emissions (including all direct emissions from on-site fossil fuel combustion sources, natural gas and fugitive emissions; fuel and gas oil for the commercial fleet vehicles) and

scope 2 emissions (including emissions from electricity used on sites and / or offices). The objective is to become carbon neutral by 2025. This is defined as no net carbon emissions from Wates Group operations after considering the use of renewables, allowable solutions and offsetting schemes.

- **Positive Impact on Nature from all Operations**
This objective is to enhance and improve the natural environment and to increase the value and community benefit of nature in areas where Wates operates, including project sites and offices.

These targets are supported by strategic business action plans and an engagement campaign – Changing our Habits: Zero Harm – which was launched in January 2020.



CASE STUDY: THE ENVIRONMENT

Wates puts Planet First

Wates is the first company in the built environment to have supported the creation of, and to have appointed, an independent Social Enterprise, Planet First Energy CIC, to help it reduce CO₂ emissions and meet its long-term sustainability goals.

Planet First Energy CIC (PFE) provides a range of energy services including procurement of renewable energy, energy management and emissions reporting. Born out of a collaborative partnership between Wates and its single energy provider – ECA Business Energy – PFE supports the reporting and delivery demands of voluntary Carbon Disclosure Projects and Government legislation.

PFE's social and environmental objectives are to tackle fuel poverty, support the delivery of energy efficiency projects in the domestic

sector and support the development of renewable energy technologies.

Since 2016 Wates has increased the procurement of 100% renewable energy by 65% and this partnership will support its goal to achieve 100% of its electricity supplies from renewable sources by 2025.

“As a business we are wholly committed to achieving zero carbon in our operations and creating social value through the development of the social enterprise sector. Our partnership with Planet First Energy supports these sustainability goals and the interests of our business from a commercial, social and environmental perspective.”

John Dunne

Executive Committee member responsible for Wates sustainability programmes

One of the first initiatives between Wates and Planet First Energy is a self-delivery model of installing temporary Photo Voltaic (PV) arrays on site welfare cabins using a social enterprise supply chain partner called R-ECO. The first site to use the PV array was at Wellington Place in Leeds where it saved over 3,500 kg/CO₂.



Full case study is featured on the CCS best practice website at www.ccsbestpractice.org.uk/entries/environmental-performance-and-report

BUILDINGS

Innovation and education for sustainable building

At the core of looking for better ways to deliver and manage low carbon, high performing and cost-effective buildings is a drive for sustainable technologies.

Through Wates Sustainable Technology Services (WSTS), now in its fifth year of operation, Wates supports its clients and customers by identifying, trialling and implementing sustainable and innovative products and solutions that meet their environmental and strategic requirements.

In 2019, following its annual selection process for new innovation partners, 18 new suppliers were added to WSTS' portfolio, with nine bespoke customer events providing the opportunity to showcase the latest technologies from its now 59-strong innovation portfolio. This resulted in eight products being trialled, six being installed, and two products being included in installation specifications for a major banking framework.

Engaging the supply chain

Wates is committed to supporting its supply chain to achieve its environmental goals. The Group is a founding partner of the Supply Chain Sustainability School, which now includes 48% of Wates top tier suppliers among its members. The School covers key areas of sustainability, including offsite manufacturing, BIM, lean construction and environmental management. Wates is committed to playing its part in upskilling the industry on environmental and procurement issues and will continue to help its supply chain members get the most value out of the School.



CASE STUDY

Above Standard for Leading International Bank

Through WSTS, Standard Chartered Bank (SCB) is seeing significant reductions in water, energy and utility costs from the installation of innovative energy and water saving products.

Working to support SCB's publicly stated targets for the reduction of its environmental impacts, WSTS has held green 'Dragons-den'-style events showcasing of new technologies and sustainable solutions that are helping SCB meet its ambitious targets.

WSTS installations are contributing to SCB's energy and water efficiencies at its London head office:

- Waterblade, a tap insert that shapes water into a paper-thin 'blade' reducing water flow by 50%
- Halcyan water conditioners, which reduce limescale build-up to save energy and up to £3,000 in heating replacement costs
- Endotherm, a non-corrosive energy and gas saving additive, which is introduced into heating systems to reduce water surface tension, so improving heat-transfer rates, saving up to 15% on fuel bills

- Magnatech, a high-performance fuel-conditioning system that alters the molecules of gas entering boilers, improving efficiency by 6-10%, cutting costs and carbon emissions

- Propelair water saving vacuum flush toilets, which since installation in 2019 have already achieved an 81% reduction in water and costs.

“Working with Wates Sustainable Technology Services makes it easier for us to source and implement innovative and sustainable technologies. Its process for innovation partner selection minimises the time factor and maximises the quality of supplier, so speeding delivery and boosting payback at our end. We are already looking to broaden the remit to cover as wide a range of applications, technologically and geographically, as possible. WSTS offers a welcomed solution for sustainable technology providers and a valuable process for our specification and procurement.”

Darren Sear

Global Head of Energy & Environment for Standard Chartered Bank

COMMUNITIES

Creating social value for more prosperous communities

In 2019, the Group's education and employability programmes, community development projects, and Social Enterprise created social value of more than £8m. This is based on research by NEF Consulting which calculated that every £1 invested in community and educational / employability programmes generated social value of £1.49.

These programmes include initiatives to help ease poverty and unemployment, attract a more diverse workforce, support and grow the Social Enterprise sector, and engage employees in volunteering opportunities that support wellbeing, environmental, and charitable outcomes.

Building Futures for those furthest from the workforce

Building Futures is a two-week pre-employment training programme designed to help long-term unemployed adults get into the world of construction. Many of those the programme supports are from disadvantaged or minority backgrounds, with 15% being former offenders.

Since the programme's inception in 2006, Wates has supported 1,800 people through the Building Futures programme and in 2019 it delivered a further 24 programmes providing training, qualifications and career support to more than 260 people.

67% of adult participants achieve a positive outcome, in transitioning into employment or further education, either with Wates, our supply chain, or other employers/ training providers.

Building confidence, building careers

The Build Yourself programme continues to inspire young people to pursue careers in the built environment.

Created in 2017 in partnership with education charity partners Career Ready and Let Me Play, Wates' Build Yourself programme focuses on national engagement with schools and colleges. It offers a mentoring scheme, masterclasses, summer internships, site visits and a bespoke Wates Summer Camp.

In 2019, the Build Yourself programme supported 32 young people through one-to-one mentoring and over 25 masterclasses and workplace visits.

In addition, two one-week residential camps at Loughborough University provided opportunities for 57 Year 12 and 13 students from diverse backgrounds across the UK to learn more about the built environment while developing their interpersonal and employability skills. Of the participants, 60% were BAME and 40% were female, with 41% living in the most deprived areas of the UK.

Before the programme commenced only 24% of young students strongly agreed that 'Construction offers great opportunities and is well paid'. This rose to 49% and 100% of participants felt that the experience informed them about careers in the built environment.

In 2020, whilst maintaining the focus on creating opportunities for people furthest from the workforce, Wates will be broadening its engagement programme to 2,000 primary age children and 2,480 secondary school and further education students as part of our effort to inspire a future workforce for the built environment.



"Wates helped me find what I wanted to be in the future and gave me the inspiration and determination to apply for an apprenticeship with them. The Build Yourself programme and the subsequent opportunities it led to gave me the confidence to make this possible and shows the importance of experiencing the world of work for young people. It was an amazing opportunity that has led to my dream career."

Kyle Marzan

CASE STUDY: COMMUNITIES

From inspiration to employment with Wates

Participating in the Build Yourself programme in 2018 kick-started Kyle Marzan's career in the built environment; something she would never have considered without the support of Wates and Build Yourself delivery partner, Career Ready.

Kyle took part in workshops that helped her gain employability skills such as building confidence, understanding and knowing herself, and communication and presentation skills. The programme inspired Kyle to explore the opportunities offered in the built environment and, encouraged by Wates, she undertook an internship within the business. She also

participated in the Build Yourself summer-camp which she describes as 'a game changer'.

During a four-week paid internship at Wates, Kyle was further inspired by other members of the business, enabling her to gain confidence and a positive outlook, and to overcome challenging personal circumstances.

Kyle was awarded Career Ready's Student of the Year for South of England in 2019 and in September - after achieving success at our Early Careers assessment centre - she joined Wates' apprenticeship scheme as a trainee estimator.

Supporting the Living Wage as a certified Recognised Service Provider

In 2019 Wates FM achieved certification as a Recognised Service Provider (RSP) working in partnership with the Living Wage Foundation.

Calculated according to the true cost of living, the real Living Wage rates - adjusted for London and the UK - seek to tackle in-work poverty by offering a voluntary increase in pay to employees or sub-contractors who would otherwise be paid the Government living or minimum wage.

As a Recognised Service Provider, Wates FM is committed to the Living Wage with its supply chain and its clients. Wates FM will pay the Living Wage to any staff it employs directly and will ensure that any FM contractors from other companies who work in Wates premises will also be paid the Living Wage. Wates FM will also include the costs of paying the Living Wage in all its tender submissions to prospective clients, giving them the opportunity to implement the Living Wage on their contract.

Growing the social enterprise market

In 2019, Wates Group achieved its target to spend £20m with social enterprises (SEs) by 2020. Since the engagement with SEs began in 2007 with a single room booking at the Wesley hotel in London, this has created social value of more than £35m.

Today, SEs form a valuable part of our supply chain. Every Wates site and office is required to use at least one SE.

As a founding partner of the Buy Social Corporate Challenge, Wates leads the way in using SEs to deliver social value in construction. It also champions SEs, encouraging other organisations to use them in their own supply chains.

This support has real and tangible impacts. Through its relationship with Wates, Community Wood Recycling was able to create five new jobs, train 11 people and divert 464 tonnes of wood from going to waste. Tarem Cleaning, another SE supported by Wates, was able to donate over £2,000 to charity.

Wates is keen to make SEs more accessible and successfully encouraged the industry's online procurement site, Constructionline, to build SE identifiers into its supply chain management software platform. This has made SEs far more visible to buyers.

Taking its commitment to SEs beyond its own business, Wates has also instigated a cross-sector working group to promote SEs, which is attended by nine main contractors. In 2019, it held further 'Meet the Buyer' events to establish new trading relationships with SE organisations.

Corporate community partnership

Since the Group's corporate charitable partnership with The Conservation Volunteers (TCV) began in April 2018,

Wates employees have raised nearly £160,000 for the charity. This includes contributions from Wates Giving and match funding.

Of this, £88,740 was raised through the Wates Diamond Challenge: significantly beating the original fundraising target of £60,000, set to celebrate TCV's 60th anniversary. The challenge saw over 150 employees taking part in six major events across a six-week period.

As well as fundraising, employees have planted c.5,000 native trees as part of the Wates' Treeathlon campaign, which commits Wates to planting 15,000 trees by 2021. Over 600 employees have supported conservation projects through Wates' Employee Volunteering programme.

"We are blown away by the enthusiasm and commitment of the Wates team. To have achieved this level of fundraising and volunteering support is remarkable and will enable our charity to continue its important work in helping disadvantaged people and communities whilst protecting and enhancing the environment."

Darren York
Chief Executive,
The Conservation Volunteers



CASE STUDY: **COMMUNITIES**

Wates funding secures £300k TCV environment project

Thanks to Wates' fundraising, The Conservation Volunteers (TCV) have been able to secure external funding for a £300k refurbishment and improvement of its Hollybush Conservation Centre in Leeds, making it a safer and more effective location for TCV's 500 volunteers and staff to use to deliver its conservation and learning programmes.

A former rhubarb farm, Hollybush was restored by The Conservation Volunteers in 1979. An important community centre and nature garden in the heart of Leeds, it attracts over 10,000 visitors a year.

With Wates' fundraising enabling TCV to put in its direct financial contribution of £15,000, the charity was successful in its application for a £300,000 grant, enabling the charity to undertake a much needed,

innovative and substantial development project that will secure the future of TCV's work in this city centre community.

As well as vital improvements to the site's safety, accessibility and community facilities, the grant will fund training for local volunteers, enabling them to re-develop the gardens, restore and enhance paths, ponds, hedgerow, woodland, and canal side environments.



Streamlined Energy and Carbon Report (SECR)

Wates takes its sustainability responsibilities seriously and has chosen to prepare a SECR a year ahead of being legally required to do so.

This first report focuses on meeting the mandatory and selected voluntary aspects of the Energy and Carbon reporting obligations.

Organisational structure

Wates Group Limited is classified as a large unquoted company due to its size and shareholding structure.

Environmental indicators

Wates operates an Environmental Management System compliant to ISO 14001 standards for all companies trading as part of Wates Construction Limited. Its management system ensures that it meets environmental standards and legislation across all the SECR key environmental impacts. This report focuses on the Energy and Carbon indicators mandated by the SECR. Wates intends to report on the other relevant environmental indicators in future reporting periods.

Energy and carbon report

The Group aims to use the way it procures energy to support the transition to a low carbon economy. Wates is committed to ensuring that 100% of its electricity supplies come from renewable sources before 2025 and intends to increase its use of clean energy for heat, power, and transport fuels to help reduce its operational CO₂ emissions.

Reporting period

Wates is reporting for the calendar year 2019 and providing comparison years from 2016.

Reporting boundary

The reporting boundary for the Energy and Carbon Report is Wates Construction Limited and its subsidiaries. This incorporates over 95% of the energy use within the Group. It is the intention eventually to grow the scope of reporting to cover the whole of the Wates Group.

Measurement methodology

Wates Construction Limited's energy and carbon footprint covers Scope 1, 2 and selected Scope 3 emissions* from 1 January

- 31 December in each reporting year. The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol. Outputs are in kWh & CO₂e using the most up to date conversions factors from the Department for Business, Energy & Industrial Strategy (BEIS).

Wates Construction Ltd's energy and carbon footprint model and methodology has been externally verified by the Carbon Trust since 2016.

*Scope 1 emissions are direct emissions produced by the burning of fuels by Wates. Scope 2 emissions are indirect emissions generated by the electricity consumed and purchased by Wates. Scope 3 emissions are indirect emissions produced by Wates activity but owned and controlled by a different emitter.



Energy performance results

Energy Use (kWh)	2018 (comparative Year)	2019
Transport Energy	31,129,916	42,995,152
Gas Oil	13,538,107	12,805,416
Electricity	13,411,932	19,183,120
Natural Gas	3,800,013	10,807,619
Total	61,881,986	85,793,326

Carbon performance results

Carbon Dioxide Equivalent Emissions (t/CO ₂ e)	2016 (baseline year)	2017	2018 (comparative year)	2019
Scope 1 & 2 emissions	13,769	12,526	11,974	13,839
Scope 3 emissions	4,224	4,747	4,280	4,054
Total	17,993	17,273	16,254	17,893

Intensity ratio

Reporting Boundary t/CO ₂ e/£m	2018 (comparative year)	2019
	7.4	8.9

Energy and carbon performance commentary

The Group is making progress in developing CO₂ reduction programmes.

Positive trends

- Absolute CO₂e emissions have reduced by 1% from the baseline year to 17,993 t/CO₂e to 17,893 t/CO₂e
- The CO₂e emissions intensity metric has reduced by 1% from the baseline year from 9 t/CO₂e/£m to 8.9 t/CO₂e/£m
- 65% of electricity has been procured from renewable sources, an increase from 0 MWh from the baseline year to 12,462 MWh.

Operational trends

Scope 1 emissions have increased by 11%, which is due to the growth of the business and use of more transport fuels. In addition, the operational fleet has increased its carbon emissions from 44 kg/CO₂e/100km to 55 kg/CO₂e/100km.

Energy efficiency and management achievements

- Wates introduced a single energy provider for the entire Group, which has saved over £1.5m in cost avoidance and buying gains and has increased renewable energy spend since its inception in 2016
- All electric meters installed using the provider are smart meters, which improve our ability to measure usage accurately
- Wates generates renewable energy totalling 8.2 MWh from solar PV panels, designed and installed by a Social Enterprise
- Wates has offset 6,494t/CO₂ since 2016 from a range of certified schemes
- Site operations have reduced their average energy use from 603 kWh/day to 402 kWh a day
- Offices have reduced their average energy use from 636 kWh/m² to 247 kWh/m²
- Wates eliminated Gas Oil use in offices by relocating to offices with alternative fuel sources for heating
- On average each full-time equivalent employee has generated 1,203 kg/CO₂e by travelling by car, train and plane. This is down from 1,275 kg/CO₂e, largely because of a reduction in the miles travelled and improvements in engine efficiency.



Chiltern Academy, Luton

Wates Family Enterprise Trust

The Wates Family Enterprise Trust (WFET) is an independent charity established by the Wates Family in 2008 and benefits from charitable contributions of £1.5m from the Group.

WFET is entirely independent of the Group and runs the Wates Giving programme, providing grants for the communities where Wates staff live and work. It forms a crucial part of the Wates Family's approach to being responsible business owners. Since its inception in 2008, the Trust has donated over £13.9m to good causes.

During 2019, the Trust invested a total of £1.07m in charitable activities, making 228 new awards across the UK. Community projects proposed by Wates people that received an award ranged from the aptly-named 'The School of Hard Knocks' - an employability training course that uses rugby as its theme; to a pilot scheme to engage primary school children with the built environment; to Street Doctors, a charity that provides life-saving skills to young people at risk of youth violence.

2019 is the Trust's second full year of investing in its three new Focus themes: Life Opportunities for Young People; Housing and Homelessness; and Sustainability. This is part of the Wates Family's decision to focus more funding on a smaller number of bigger, longer-term grants to make an even more substantial impact.

Within Life Opportunities for Young People, funding is ongoing for two organisations - City Year UK and The Difference. Both are running innovative programmes to support the most vulnerable young people in schools to help improve their educational outcomes.

In Housing and Homelessness, the Centre for Social Justice Housing Commission published several thought leadership reports funded by the Trust and work continues in this area. An award was also made to St Mungo's to support the vital research being carried out on the issue of the hidden homeless in the UK.

In 2019 a Sustainability working group identified loss of natural habitats and biodiversity in urban areas as a priority area of focus and is looking to develop partnerships in 2020 to take actions forward.



The Wates Family Enterprise Trust:

- invests around **£1.5m in charitable activities** every year
- **backs the personal causes that Wates people support with their own time and resource**
- funds new ideas and charitable programmes that make a difference to **disadvantaged people's lives**

Supporting employee-led causes

2019 was another record year for supporting employee projects both in terms of the number of applications received and money raised. In total the Trust invested £175,000 in employee-led causes.

Wates people continue to be generous with their time and resources helping the causes they care about. From participating in marathons and 'Tough Mudders' to climbing Mount Kilimanjaro and organising music festivals and fun days, over £229,000 was raised for charities, boosted by the equivalent in match funding from Wates Giving.

The Trust was pleased to support the Group in its six-week fundraising Diamond Challenge for TCV, to celebrate the conservation charity's 60th anniversary. Wates Giving provided £39,000 of match funding to bring the total to £87,000. This was raised by Wates people through some brilliant team efforts and physical feats from cycling to canoeing.

As well as fundraising, Wates people continue to be passionate volunteers in their local communities, providing much needed assistance to schools, sports clubs and community groups. During the year the Trust provided grants for sports kit, equipment and facilities to a number of netball, rugby, football and gymnastic clubs across the country.

The Trust also made a grant to match the Give As You Earn donations made by Wates Group employees, which totalled £15,800 in 2019.



"The support and initiative provided by Wates people is vital to the ongoing success of the Wates Giving programme. We would like to thank everyone who gets involved from applying for match funding awards to those assisting with our three new Focus themes. The work carried out by the Trust remains a core part of the Wates Family's purpose of being responsible business owners and our vision of being a force for good."

Andy Wates
Chairman, Wates Family Enterprise Trust



Wates Group Board

The Group Board comprises the Chairman; Chief Executive; Chief Financial Officer; Managing Director of the Construction Group (consisting of SES and Wates Construction); three Independent Non-Executive Directors and four family Directors.

Its primary responsibility is to promote the long-term success of the Group by creating sustainable value. The Board seeks to achieve this by, amongst other things, being clear about the company's purpose and ensuring that its goals, strategy and behaviours align with that purpose.

Sir James Wates CBE

James has spent his entire working life in construction and feels passionately that it plays a crucial role in the UK's economic and social well-being. Through his numerous roles, he champions change in the sector - encouraging the investment in skills development, greater collaboration, and the application of modern methods of construction - with the ultimate goal of creating a higher-quality built environment, stronger communities and a better society.

James read estate management at college and joined Wates Construction in 1983, progressing through the management to running sites, before taking on a general manager role in 1989. He joined the Wates Construction Board in 1994, was appointed to the Wates Group Board in 1997, and became Chairman in 2013.

His key positions in the sector include: Chairman of the CBI Construction Council; Chairman of the BRE Trust; Non-executive Director of Argent Services LLP; Past Chairman of CITB and Past President of CIOB. To help ensure that the UK punches its weight internationally, he is also Co-chair of Infrastructure Exports: UK, sponsored by the Department for International Trade.

In line with his belief that good business, well done, is a force for good for society, he has taken on a number of roles outside of the construction sector, including serving as Chairman of the Princes Trust Corporate Advisory Group, and on behalf of the Business Secretary, chairing an industry group on corporate governance for large privately-owned companies.

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.

David 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.

Jonathan Wates, Director

Having started his career at Grand Metropolitan (now Diageo), Jonathan (Jonny) joined Wates Developments in 1995 and later held the position of Group Marketing Director until 2006. He was appointed to the Wates Group Board in 2008. He chairs the Board Sustainability Committee and champions sustainability at a strategic and an operational level. Jonny is a Trustee of the Wates Family Enterprise Trust and the William Wates Memorial Trust.

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; and an Associate at Leaders' Quest.

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.



Timothy Wates, Director

Timothy (Tim) started his career at Cazenove & Co. in the City, prior to joining the Wates Group. He re-joined the Board in 2011, having served previously from 2006 to 2008, and is a member of the Audit Committee. He chairs Wates Developments and is Chairman of the Wates Family Council - the Family Shareholder forum.

Outside of the company, he is Chairman of the Coast to Capital Local Enterprise Partnership and a Deputy Lieutenant of Surrey. He serves on the Advisory Board of the Cambridge Judge Business School and is a Non-Executive Director of Tampopo and Pedder Property. Tim is a Trustee of various Wates Family charities. He has an MBA from the Judge Business School, University of Cambridge.

Tim has a particular interest in housing and regeneration issues, as well as facilitating the effective management of public-private partnerships.



Charles Wates, Director

Charles (Charlie) is a chartered surveyor with over 15 years' experience in the commercial property sector. He is founder and joint Managing Director of Needspace?, the Wates Group's managed workspace division, which now comprises a portfolio of 7 properties across London and the South East.

Charlie joined the Wates Group Board in May 2011 and is a member of the Property Investment Committee. In addition, he is a member of the British Council of Offices and the British Property Federation. Charlie is on the Board of Management, Estates Committee and Finance Committee of the Royal Alexandra & Albert School in Reigate.



Andy Wates, Director

Andy joined the Wates Group in 1995 having spent six years gaining experience of the construction industry with Costain Construction and John Shreeves & Partners. Formerly the Managing Director of Wates Interiors, Andy was appointed to the Wates Group Board in May 2011 and is also a member of the Remuneration Committee. He is Chairman of the Wates Family Enterprise Trust and chairs the Wates Investment Partnership, which is the family's long-term investment portfolio outside of the Group.

In 2014, Andy was appointed Chairman of the Construction Youth Trust. He is active in the Institute for Family Business, serving as a member of the National Policy Committee and Chair of IFB South East Region.

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



Paul Chandler,
Managing Director, Construction Group

Paul joined Wates in 2017 as Managing Director of the Construction Group and joined the Group Board in 2018.

Paul has overall accountability for Construction and SES Engineering Services both of which have seen significant growth in the last three years.

Before joining Wates Paul was Executive Vice President at Skanska having spent all his 35-year career there. During that time, he was involved in some landmark projects such as the Gherkin and Heron Tower in London as well as the Apple Campus in California.

He is focused on bringing in the next generation of talent to help mould the future of the industry and believes passionately that in order to do so the sector must showcase its impressive expertise and capabilities as it expands with the times.



Jonathan Oatley,
Independent Non-Executive Director

Jonathan (Joe) Oatley was appointed to the Board as non-executive director in July 2017. He was 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.

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



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. He remains a trustee of the Grosvenor Estate, and also holds Non-Executive roles at Trinity College, Cambridge and Cambridge Ahead. Previous Non-Executive roles include: Chair of the Urban Land Institute; President of the British Property Federation; and council member of Imperial College, London.

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



Philip Wainwright,
Chief Financial Officer

Philip Wainwright joined Wates as Chief Financial Officer in December 2018 and sits on both the Group Board and the Executive Committee. Formerly Group Finance Director at Wilmott Dixon, 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 of experience in the construction industry in both senior financial and operational roles, including at Laing O'Rourke, Biwater Plc, National Grid and ED&F Man.



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. Sue is a qualified accountant and chairs the Audit and Assurance council of the Financial Reporting Council. She read chemistry at Manchester University. She has held senior executive positions across Retail at Marks and Spencer as Group Treasurer and Head of Corporate Development; She was Managing Director Finance at Standard Life, where she led the company's flotation process; CFO of Cheltenham & Gloucester; and Finance Director Retail Bank, Group Financial Control Director and Group Audit Director for Lloyd's Banking Group. Since 2013, Sue has built up an impressive portfolio of non-executive roles, currently at Cooperative Bank, Schroders and Co., FNZ (UK), Barclays UK Retirement Fund and previously at the Bank of Ireland UK and Abcam PLC.

She had a ten-year association with MENCAP, where she gained experience of social housing – a key component of Wates' residential and property services offering. Sue is a member of the Wates Sustainability Committee.



Wates Executive Committee

Wates Executive Committee is comprised of 10 individuals, all of whom are expert in their fields. Together they are responsible for the management of the Group and for ensuring that the strategies approved by the Board are implemented in a timely, safe and effective manner.



David Allen*
Chief Executive



John Dunne
Group Safety, Health,
Environment & Quality Director



Paul Chandler*
Group Managing Director,
Wates Construction Group



Stephen Beechey
Group Strategy Director and
Managing Director Government Affairs



David Brocklebank
Group Managing Director,
Wates Residential
Developments Group



David Morgan
Managing Director,
Wates Property Services



Helen Bunch
Managing Director,
Wates Smartspace



Paul Rowan
Group Human Resources Director



Philip Wainwright*
Chief Financial Officer



Simon Potter
Group Commercial Director

WATES GROUP LIMITED

Annual Accounts and Reports for the year ended 31 December 2019

Contents

Directors and Advisors	53	Company Balance Sheet	75
Strategic Report	54	Consolidated Statement of Changes in Equity	76
Corporate Governance Report	63	Company Statement of Changes in Equity	77
Directors' Report	67	Consolidated Cash Flow Statement	77
Statement of Directors Responsibilities	69	Notes to the Accounts	78
Independent Auditors Report	70	Subsidiary Undertakings	97
Consolidated Profit and Loss Account	72	Group Five Year Summary	98
Consolidated Statement of Comprehensive Income	73	Locations	99
Consolidated Balance Sheet	74		

Directors and Advisors

Directors	Sir James G. M. Wates, CBE (Chairman) David O. Allen (Chief Executive) Philip M. Wainwright (Chief Financial Officer) Paul Chandler (Group MD Construction Group) David M. Barclay (resigned 30 September 2019) Susan E. Harris (appointed 1 November 2019) Deena E. Mattar (resigned 4 March 2019) 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 Bank plc 60 Queen Victoria Street London EC4N 4TR
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

Risk Mitigation

A. Health and safety

The Group is involved in activities and environments that have the potential to cause serious injury to its stakeholders, or to damage property, the environment or our reputation. We are reliant on a largely subcontracted workforce to operate to our high standards and procedures. The health and safety of people is the primary focus of the Group. In order to control risk and prevent harm, the Group is focused on achieving the highest standards of health and safety management. This is achieved by establishing effective health and safety procedures and ensuring that effective leadership and organisational arrangements are in place to operate these procedures. We monitor significant health concerns, including most recently the coronavirus Covid-19 outbreak, maintaining contingency plans to operate and manage our operations and respond proportionately to any emerging risks, whilst always ensuring the health of all of our stakeholders with whom we interface.

B. Market risk

Demand for the services of the Group is cyclical and may be vulnerable to sudden economic downturns, a lack of confidence in the housing market and the broader economy, reductions in government and private sector spending, regulatory developments (including building and fire regulations) and increases in costs. The Group's strategic focus is on those market sectors in which a competitive advantage is 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 market sectors. Members of our leadership team participate in political, economic and regulatory forums to maintain effective working relationships with the government and regulatory authorities.

C. Brexit Transition

The impact of a 'no deal' at the end of the Brexit transition period continues to create uncertainty in the UK economy. This may result in clients delaying, curtailing or cancelling proposed and existing projects. It may also increase the level of counter-party, credit and currency risk faced by the Group.

The Group continues to monitor the impact of the UK's transition negotiations as the government works positively to secure a negotiated deal with the EU. We have developed plans to respond to a range of potential scenarios, including the impact of a 'no deal' at the end of the transition period.

This includes specific plans that cater for changes in market conditions, complications with the movement and availability of our workforce, pressure on the supply chain, delays in delivery of materials and components, changes in exchange rates and pricing impact of increased tariff and commodity costs. The Group has analysed the forward order book and does not see a significant impact on current or future projects. The Group does not deliver any contract, projects or services to any other country in the EU.

D. Competition

The construction sector is highly competitive with low margins. If it does not compete effectively in its market sectors, the Group runs the risk of losing market share. While service quality, capability, reputation and experience are considered in client decisions, price often remains one of the determining factors in contract awards. The Group mitigates competitive risk by seeking to target projects where it has a competitive advantage and can manage its costs and risks. 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 before approval to tender is given. The Group is highly selective at bid stage and will only take on work that it can deliver effectively.

E. Project Delivery

Execution of projects involves professional judgement in estimating, planning, design and construction, often in complex environments. The Group's projects could encounter difficulties that could lead to cost and time overruns, lower revenues, litigation or disputes. The Group's activities are guided by an Operating Framework that mandates rigorous policies and procedures throughout the project lifecycle. This, combined with comprehensive management oversight, the risk management process, project reviews, independent internal and external audits, peer reviews and customer feedback, helps mitigate the risk to successful project delivery. There is close scrutiny of the financial judgements made on projects and the Group takes a prudent view on the recognition of revenue and profit. We monitor significant external issues that could impact project delivery such as Brexit and Covid-19 and maintain appropriate contingency plans.

F. Liquidity (Financial Risk)

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due and could affect our ability to invest, win work or pay dividends. The Group manages liquidity such that it always has sufficient liquidity to meet its liabilities when due. The Group continually monitors and stress tests its liquidity position. Funding arrangements are reviewed regularly and approved by the Group Board.

G. Appointing and retaining talent

The success of the Group is dependent on being able to attract and retain people that have the necessary experience and expertise. Competition for high quality people is intense. The Group knows that its people are at the heart of its on-going success. It seeks to offer market-competitive remuneration (which is reviewed regularly), training and career development opportunities, and to be an attractive and engaging employer. The Group is an Investors in People Gold accredited employer.

H. Pension Fund Liabilities (Financial Risk)

The Group carries a funding obligation for our defined benefit pension scheme. The Pension Fund liabilities could increase significantly which could lead to increased pension deficit payments, resulting in less money to invest in the Group.

The performance, risks and funding arrangements of the pension scheme are regularly assessed by the Group Board and the independent trustees and advisors of the pension scheme. Investment strategies aim to limit the impact of increases in the liabilities and are well diversified, ensuring a reasonable balance of risk and return. The Group has committed to deficit funding payments to reduce the deficit.

I. Systems, Data, Cyber Security & GDPR

A loss of our key systems through a lack of resilience or an information security breach or attack, could impact the successful delivery of our projects and lead to a loss of confidential data, damaging our reputation and brand.

Robust controls and procedures are in place to monitor the performance of our systems and to identify and mitigate external threats. The Group is

continually developing and upgrading its IT infrastructure, software and cyber threat and assessment capabilities. We continue to develop and enhance our data protection procedures in line with regulations. The controls and procedures are subject to regular independent internal and external audit.

J. The Environment

The sector in which we work faces huge challenges as it works to reduce its impact on nature and the environment. There is a risk that our business activities have a harmful impact on the environment and do not positively address the accelerated pace of climate crisis. Our Clients are placing greater responsibility on us to protect the environment and reduce our carbon footprint and waste, where we have to demonstrate we are making the required changes. There could be a risk that we don't have the right investment or resources, including through our supply chain, to meet these challenges from our clients.

The Wates Group has committed to a series of bold, ambitious and deliberately stretching targets for creating Zero Harm to the environment and for having a positive impact on nature. These targets set out where we need to be by 2025 outlining our commitment to eliminate harm to the environment and positively impact nature. Our targets focus on achieving Zero waste from Wates operations, Zero Carbon from Wates operations and commercial vehicles and achieving a positive impact on Nature from our operations by 2025.

Strategic Report

Analysis of Financial Key Performance Indicators

Group Performance

Group turnover, including the Group's share of joint ventures' and associates' turnover, increased by 2.1% to £1.63bn (2018: £1.60bn). Total operating profit before interest and tax remained stable at £39.0m (2018: £39.0m), with a consistent trading performance, supported by a strong year for our Construction business. The overall operating margin was maintained at 2.4%; profit before tax (and before tax of joint ventures and associates) of £36.2m (2018: £35.9m) was up 0.8% on the previous year.

The Group maintained a strong cash position throughout the year. The Group finished the year with cash at bank of £142.2m (2018: £114.2m) including £4.9m of restricted cash (2018: £nil). The Group has in place a revolving credit facility of £120m (£93m undrawn at 31 December 2019), which expires in 2023.

The forward-order book increased by 9.2% and finished the year at £5.9bn (2018: £5.4bn).

Construction

Construction turnover, including its share of joint ventures, was £922.7m (2018: £848.9m), 8.7% up on 2018. Construction performed strongly in 2019.

The business stuck firmly to its strategy, targeting those sectors and geographical regions where Wates has the greatest experience and expertise and enjoying continued success with repeat customers and frameworks. The growth of capabilities in cost-planning, more sophisticated building design management processes, offsite manufacturing and closer engagement with the supply chain have all helped to drive down costs and increase efficiencies, something the business will continue to build upon in 2020.

Significant projects and outstanding work included starting construction on Parliament's Northern Estate Programme, securing the Aquatic Centre for Sandwell

Council in Birmingham and working on 24 schools - 21 through the Department for Education (DfE) framework.

Following a challenging 2018, notable for the collapse of Carillion, SES focused in 2019 on improving efficiency, reducing overheads and driving profitability while delivering a sustainable level of turnover and avoiding loss-making projects. The collapse of clients including Interserve at the beginning of 2019 and Clugston towards the end of the year presented a significant challenge to performance. Despite these, SES demonstrated its resilience and continued to perform strongly, strengthening its balance sheet, increasing cash as well as winning a number of prestigious industry awards. Carillion's failure was well-managed and saw SES pick up more direct work with major clients giving a strong orderbook into 2020. The business also expanded its offsite capabilities, moving its Prism business to new, larger premises in Coventry to meet the increased demand in work.

Residential Developments

Turnover for Residential Developments (including share of joint ventures) decreased by 3.6% to £230.3m (2018: £238.9m). Residential Developments operates in the public and private sectors. The business controls 4,277 acres (14,632 plots) of privately owned land (2018: 4,016 acres, 12,687 plots) on which it seeks to create value by achieving planning permission for residential development. It also works on behalf of its public sector partners to deliver planning for development on publicly held brownfield sites, including in 2019, strategically important sites in Havering, Cardiff and Lee-On-The-Solent. In 2019, planning permission was achieved for 1,140 residential units (2018: 709) with decisions pending in relation to applications for a further 3,475 units (2018: 1,870).

In addition to four land transactions (2018: seven), house building through joint ventures and public sector collaborations delivered 783 completions (2018: 828) from 31 active sites (2018: 27). Across these sites, there are 2,742 properties (2018: 3,416) still to be completed. The business also operates as a contractor for public sector clients and has worked on residential projects in the year containing 240 residential units (2018: 964).

Property Services

Property Services turnover, including its share of associates' turnover, was £476.9m (2018: £508.5m), 6.2% down on 2018. The reduction in turnover is due to a rephasing of workload in planned maintenance from a number of existing customers. This reduction is only temporary and we forecast our turnover to increase again in 2020, as we have a growing customer base and a record order book of over £1bn.

In 2019, Property Services maintained in excess of 500,000 homes in the social housing sector and managed facilities in more than 300 non-residential buildings.

Smartspace undertook 660 projects across the UK in the retail, logistics, pharmaceutical, banking and public sectors.

Needspace?

Needspace? provided flexible serviced office space to small and medium sized entities from 7 centres across London and the South East in 2019. In 2019, a valuation of the properties was performed resulting in an increase in the value of the portfolio of £1.2m (to £53.4m in total). At the end of 2019, 103,234 square feet (2018: 104,522 square feet) of floor space was occupied, being 82% (2018: 84%) of available space.

Cash flow and financing

The Group's cash position was resilient throughout the year. At 31 December 2019, the gross cash balance was £142.2m (2018: £114.2m) including £4.9m of restricted cash (2018: £nil) and cash (net of debt) was £115.6m (2018: £88.1m). Inflows from Group operating activities (£68.4m) and dividends received from joint ventures and associates (£1.6m) were partially offset by outflows from investments in joint ventures (£21.4m), purchase of fixed assets (£11.2m) and dividends paid (£10.4m). The inflow from Group operating activities is after deficit funding contributions to the pension fund of £9.1m.

Pensions

The defined benefit scheme deficit is calculated in accordance with FRS102. At 31 December 2019, the pension deficit (net of deferred tax) had fallen to £19.7m (2018: £25.4m) principally as a result of an increased level of contributions from the Group. The market value of the scheme's assets was £287.2m (2018: £251.7m) and the net present value of the liabilities was £311.0m (2018: £282.3m). There was an actuarial loss in the year of £1.8m (2018: gain £0.5m). Pension charges of £0.6m (2018: £2.3m) were made to the profit and loss account in accordance with FRS102.

Group Turnover
2.1% INCREASE to
£1.63bn

Gross cash balance
£142.2m

In 2019 planning permission achieved for
1,140
residential units

WORK SECURED

for the

AQUATIC CENTRE

for Sandwell Council

500,000
homes in the social housing sector maintained

Shareholders’ funds

Shareholders’ funds increased by 12.2% to £152.4m:

Shareholders’ funds at 31 December 2018	135.8
Profit for the financial year	28.2
Pension movements	(1.5)
Dividends	(10.4)
Currency translation difference	0.3
Shareholders’ funds at 31 December 2019	152.4

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 £8.0m (2018: £8.4m), which gave an effective rate of 22.0% (2018: 23.5%). This compares to the UK mainstream corporation tax rate of 19%. The tax charge exceeds the UK mainstream corporation tax rate due to disallowable costs such as the amortisation of goodwill.

Dividend

Dividends of £10.4m were declared in 2019 and payments of £6.5m and £3.9m were paid on 8 April 2019 and 11 November 2019 respectively.

Wates Giving

The Group continued to contribute to Wates Giving, the charitable programme of the Wates Family Enterprise Trust. In 2019, this support amounted to £1.5m (2018: £1.5m). The programme’s focus themes are: life opportunities for young people, housing and homelessness and sustainability.

Section 172 Companies Act 2006

This report sets out how the Directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted the Board’s decision making throughout 2019.

The Role of the Board

The Board’s primary responsibility is to promote the long-term success of the Group by creating and delivering sustainable shareholder value as well as contributing to wider society. The successful delivery of the long-term plans relies on key inputs and positive relationships with a wide range of stakeholders (as described in the Corporate Governance Report). The Board seeks to achieve this by setting out its strategy, monitoring performance against the Group’s 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 for operational relevance. This includes the determination of the Group’s strategy and long-term direction, reviewing health and safety performance, approval of budgets, capital expenditure, organisational changes (including new business ventures, 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.

Board Governance

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 31 December 2019. These principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to help to improve standards of corporate governance. They also support directors to meet the requirements of Section 172 Companies Act 2006 by providing guidance on the following areas:

- Purpose and leadership;
- Board Composition;
- Director responsibilities;
- Opportunity and risk;
- Remuneration; and
- Stakeholders.

The Corporate Governance Report, which evidences how the Group applies the principles, is included on pages 63 to 66 and is also available on the Group’s website at www.wates.co.uk.

Activities of the Board in 2019

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. Other items are for monitoring or reviewing progress against strategic priorities, risk management or the adequacy of internal controls.

Engaging with stakeholders to deliver long term success is a key area of focus for the Board and all decisions take in to account the impact on stakeholders. Views of stakeholders are gathered in Board papers and inform the decisions made in Board meetings. Obviously, 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 the 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. These details are set out on the following page:

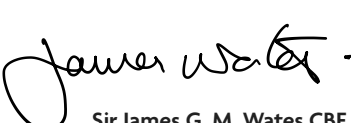
Section 172	Decisions / interactions
a) The likely consequence of any decision in the long-term; and e) The desirability of the company maintaining a reputation for high standards of business conduct.	<p>The Board annually approves the five-year plan (2020-2024) and monitors its implementation throughout the year using detailed reports on operating and financial performance. This includes monitoring progress against key strategic programmes (both short-term and long-term) as well as considering the allocation of capital to support the rolling five year-business plan. The Board has agreed a set of targets for the acceptable level of financial resilience and liquidity and reviews the Group’s forecast funding requirements, debt capacity and financing options that are required to deliver the desired resilience targets. In March 2019, the resilience was enhanced by the Group signing up to a larger and extended £120m Revolving Credit Facility (expiring in 2023).</p> <p>In approving the strategy, the Directors also consider external factors such as competitor behaviour, the performance of the construction industry, as well as the evolving economic, political and market conditions.</p> <p>The Directors take the reputation of the Group seriously which is not limited to only operational and financial performance. The Board has committed to having a workforce that more accurately reflects society and as part of a new approved Diversity and Inclusion Plan, has developed challenging targets to achieve this by 2025 (see Corporate Governance Report). The Board has also 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, including proposed improvement plans to enhance performance.</p>

Section 172	Decisions / interactions
b) The interest of the company's employees.	<p>The Directors understand the importance of the Group's employees to the long-term success of the business and are proud that the Group is certified to a Gold standard by Investors in People.</p> <p>The health and safety of the Group's employees (and other stakeholders) remains its main 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 three consecutive years.</p> <p>The Group regularly communicates to its employees through presentations, internal group-wide emails and newsletters. In 2019, communication channels have been enhanced as new social media channels and blogs on our intranet give our employees the opportunity to interact with members of the Board and other key management personnel. The Group's annual roadshow, which is open to all employees, is the forum by which the Chief Executive informs and updates staff on the Group's 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. A biannual employee survey is undertaken to allow colleagues to provide honest feedback about their experience working at Wates. Alongside regular calls, twice a year, the Group's senior leadership team convene to share knowledge, disseminate good practice and to discuss strategic priorities.</p> <p>In 2019, we invested c.£1.5m in learning and development and delivered 8,072 staff training and e-learning days. Our award winning We're Safer Together – Lead and Drive the Change! Safety programmes were delivered to 430 of our leaders in 2019 and supported the continuing improvement in our safety performance. Workplace health and mental wellbeing continue to be priorities and in 2019 the Group was awarded Bronze in MIND's Wellness Index Awards. By the end of 2019, we have established a Mental Health First Aider network of 273 trained employees and 30 Regional Mental Health First Aider Champions. The Early Careers pipeline remains an important feature of our resourcing strategy, with 139 colleagues on a structured training programme. We have retained 84% of the trainees who have joined us over the last five years.</p> <p>In 2019, the Board approved a new executive incentive arrangement that more aligns with the shareholders' requirement for long-term value generation and sustainability. We are embarking on a second phase which aims to ensure that the principles of the executive remuneration review are applied to the wider employee population.</p>
c) The need to foster the company's business relationships with suppliers, customers and others.	<p>The Board regularly reviews how the Group maintains positive relationships with all of its stakeholders, including suppliers, customers and others.</p> <p>Our shareholders and other Board members are key industry and business contributors. Sir James Wates CBE holds a number of key positions in the sector including: Chairman of the CBI Construction Council; Chairman of the BRE Trust; Past Chairman of CITB and Past President of CIOB. He also, on behalf of the Business Secretary, chaired an industry group on corporate governance for large privately-owned companies (which the Group has adopted this year). Timothy Wates is also Chairman of the Coast to Capital Local Enterprise Partnership.</p> <p>The Directors monitor how the Group engages with its customers by performing regular customer engagement surveys which determine the Net Promoter Score (NPS) of the Group. This process is run by an external company to ensure the results are independent. The results of these surveys are reviewed by the Board on a monthly basis and the findings are used to improve customer engagement.</p> <p>The Directors understand the importance of the Group's supply chain in delivering the long-term plans of the Group. One of the ways we can ensure effective relationships with our supply chain is to pay them on time. The Group has signed up to the Prompt Payment Code and one of the key metrics within this is ensuring that at least 95% of invoices are paid within 60 days. At the end of 2019, Wates Construction Limited (the Group's main trading subsidiary) had improved its performance to 96% (2018: 90%).</p> <p>The Group's principal risks and uncertainties set out risks that can impact the long-term success of the Group and how these risks interact with our stakeholders. The Directors actively seek information on the interaction with stakeholders to ensure that they have sufficient information to reach appropriate conclusions about the risks faced by the Group and how these are reflected within the long-term plans.</p>

Section 172	Decisions / interactions
d) The impact of the company's operations on the community and environment	<p>The Group's Guiding Framework, implemented by the Board in 2019, defines the motivating purpose of 'together, we inspire better ways of creating the places, communities and businesses of tomorrow' and the Group's goals of being more trusted, sustainable and progressive. All initiatives that are considered by the Board are reviewed alongside the Guiding Framework to ensure that they are in line with the Group's purpose, goals and behaviours.</p> <p>Alongside our industry leading health & safety targets and processes, during the year, the Directors set targets (for 2025) as part of its Environmental Strategy and Engagement campaign:</p> <ul style="list-style-type: none">- Waste: Zero waste from Wates operations- Energy: Zero carbon from operations and operational vehicles- Nature: Make a positive impact on nature through our operations <p>Further information on the Group's initiatives with respect to the environment can be seen in the Sustainability Report (on page 36).</p> <p>On all large contracts, the Group hosts local community events including 'Meet the Buyer' to engage with local stakeholders, including local supply chain partners. In 2019, the Group achieved its target (cumulative) spend of £20m with social enterprises (SEs) by 2020. Since the engagement with SEs began in 2007, over £35m of social value has been created.</p> <p>The Group continued to contribute to Wates Giving, the charitable programme of the Wates Family Enterprise Trust. In 2019, this support amounted to £1.5m (2018: £1.5m) taking the total amount given since 2008 to £14.3m. The programme's focus themes are: life opportunities for young people, housing and homelessness and sustainability.</p> <p>The Directors take very seriously their responsibility of ensuring 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 2019, the Group contributed taxes, all within the UK, whether borne by the Group or collected on behalf of HMRC of £161.2m (2018: £138.2m). We are proud of the part we play in our industry's contribution through its economic activity.</p>

Section 172	Decisions / interactions			
d) The impact of the company's operations on the community and environment (continued)	Taxes paid in the period (note 1)			
		Notes	2019 £000s	2018 £000s
	Taxes borne by the Wates Group			
	Corporate income tax		6,204	5,759
	Employment-related taxes	2	29,480	28,949
	Other taxes	3	5,715	7,693
			41,399	42,401
	Taxes collected for HM government (in addition to taxes borne above)			
	Employment-related taxes	4	67,046	63,508
	VAT	5	52,740	32,272
			119,786	95,780
	Total tax contribution (taxes generated by the Group from Wates Group activity)			
			161,185	138,181
<i>Notes</i>				
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				
f) The need to act fairly as between members of the company.	The Wates Group is 123 years old and now includes the fourth generation of family ownership. The business remains 100% family owned. The Group interfaces with family shareholder members on a regular basis through away days, corporate events, interaction with the Wates family office and through the Group Board meetings which contains five Wates family members, alongside six non-family independent non-executives and executive directors. The current shareholders are committed to handing over to the next generation an even stronger, more sustainable business. This commitment is supported by the Guiding Framework which demonstrates how the shareholders seek to work with stakeholders to maintain the Group's success well into the future.			

Approved by the Board of Directors on 11 March 2020 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 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the **Wates Corporate Governance Principles for Large Private Companies** (published by the Financial Reporting Council ("FRC") in December 2018 and available on the FRC website).

These new corporate governance reporting requirements apply to company reporting for financial years starting on or after 1 January 2019 and Companies are able to adopt the Wates principles as an appropriate framework when making a disclosure regarding corporate governance arrangements. We have adopted the disclosure in our 2019 Report and Accounts and set out below is how we have applied the Principles over the past year throughout our work.

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 focus of the Board and Executive Committee has been the implementation of the Group's Guiding Framework "Creating Tomorrow Together" which defines our purpose, goals and behaviours.



The new framework has been communicated to the workforce through our annual leadership conference, roadshows and through a series of workshops where employees have been encouraged to contribute ideas as to how the Group can practically deliver the goals and behaviours defined within the framework.

To drive the Group towards achieving its goals of becoming more "progressive" and "trusted", a new Diversity and Inclusion Plan, alongside the recruitment of a new Group Head of Diversity & Inclusion, has been introduced in 2019. The Group is committed to having a workforce that more accurately reflects society and has developed challenging targets to achieve this by 2025:

- 40.0% Female (2019: 21.1%)
- 20.0% BAME (2019: 12.3%)
- 3.0% Disability (2019: 0.8%)
- 5.0% LGBTQ+ (2019: 1.6%)

Further targets include 50% of early career intakes being female and 5% of new recruits being career returners. The plan commits to overhauling our parental leave and flexible working policies, improving the gender pay gap and collaborating across the sector to help drive sector-wide change.

As part of the Group's drive to become more "sustainable", the Group has set targets as part of its Environmental Strategy and Engagement Campaign:

- Waste Target: Zero waste from Wates operations by 2025
- Energy Target: Zero carbon from all Wates operations and operational vehicles by 2025
- Nature Target: Making a positive impact on nature through our operations by 2025

The Group is well advanced in developing action plans and engaging with our workforce. The next steps will be to provide the necessary training to be able to deliver these targets, as well as engaging with our wider stakeholders.

Principle 2 – Board Composition

The Board comprises a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained, as well as a Chief Financial Officer, Group MD Construction Group, three Independent Non-Executives and five family members (including the Chairman). This size and composition is appropriate to our large yet focused business. 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.

In November 2019 Susan Harris decided to the join the Board as an Independent Non-Executive Director and Chair of the Audit Committee. Susan has extensive Non-Executive experience at Cooperative Bank, Schroders and Co, Bank of Ireland UK, FNZ (UK), Abcam Plc, Barclays UK Retirement Fund and Mencap. She is currently chairing the Audit and Assurance council of the Financial Reporting Council (FRC).

We acknowledge that there is a relative lack of diversity on the Board, in particular when compared to the Diversity and Inclusion targets that were approved by the Board this year. The Board is committed to developing a more diverse workforce, including at the most senior levels.

Corporate Governance Report Cont.

The Board has initiated a formal effectiveness review in 2019, facilitated by an independent external advisor. The Board Effectiveness Review assessed that the Board was competent and well run and had the potential to become even more effective by clearly aligning its agenda to strategic development, encouraging all directors to share their thoughts, observations and instincts for the benefit of all, and engaging the whole Board more routinely in the active management of investor relations.

A biography for each Board Director can be found on the Group's website: www.wates.co.uk/who-we-are/ and pages 48 to 51.

Principle 3 – Director Responsibilities

The Board has a programme of nine principal meetings every year, plus two additional days 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 2019 are in the Section 172 Companies Act 2006 report on pages 58 to 62.

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

As part of the 2018 annual strategy process, the Board identified a list of strategic priorities that were to be reviewed by management throughout 2019. The output of this work has been a key area of focus for the Board. Some specific outputs have included the rebranding of Wates Living Space to Wates Property Services, which now incorporates our Facilities Management offering under the brand Wates FM, a cost rationalisation project across the Group's operations, as well as a review of the Group's organisational structure and investment profile.

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. A review was performed in the year and decided that it was an appropriate time to perform a tender for the Group's audit services. The tender process involved several external audit firms (including PricewaterhouseCoopers LLP) and it was decided that the Group would change to BDO LLP. BDO's sector experience and excellent third-party audit quality ratings were an important factor in the Board's decision to change auditors.

Principle 4 – Opportunity and Risk

The Board seeks out opportunity whilst mitigating risk. The company's key operational risks and mitigations are outlined in the Strategic Report (and are denoted as 'Principal Risks' below). The Board also considers all major projects (as defined by their value and risk profile) and approves them before any bids are finalised. The Group Risk Committee (as delegated by the Board) also considers further risks as part of the day to day management of the business:

- Health & Safety (Principal risk)
- Market risk (Principal risk)
- Project delivery (Principal risk)
- Margin pressure / competition (Principal risk)
- Systems, Data, Cyber Security & GDPR (Principal risk)
- Pension fund liabilities (Principal risk)
- Appointing and retaining talent (Principal risk)
- Brexit transition (Principal risk)
- Liquidity (Principal risk)
- The Environment (Principal risk)
- Legal and regulatory compliance
- Quality
- Reacting to a decline in land and house prices
- Reputation
- Investment constraint

The Risk Committee, consisting of Executive Committee members and business unit and functional leads, ensures that inherent and emerging risks are identified and managed appropriately and in a timely manner. Its focus in 2019 was on monitoring the effectiveness of the Wates Group's approach to risk identification, classification and mitigation.

The formal introduction of the Wates Principles has highlighted a need for the Committee to focus on Opportunities as well as Risks and this has now been incorporated in to the quarterly Committee meetings. Some of the opportunities that have been considered include leveraging our extensive frameworks, further investment opportunities, benefits of cost rationalisation and also the potential impact of amendments to our Diversity & Inclusion and Environmental plans.

Principle 5 – Remuneration

The Remuneration Committee's primary objective is to set remuneration at a level that will enhance the company's resources by securing and retaining quality senior management who can deliver the Group's strategic ambitions in a manner consistent with both its purpose and the interests of its shareholders.

An independent review was performed in 2018, which highlighted that the Group's remuneration policy for executives is consistent with companies of a similar size and complexity, as well as other companies operating within the construction sector. However, the review also highlighted that the incentive arrangements for executives could be structured in a way that more aligns with the shareholder's requirement for long term value generation. The Remuneration Committee engaged with external reward specialists throughout 2019 and a new executive incentive arrangement has been introduced that meets this requirement. The directors' remuneration is disclosed on page 83 (note 5). In 2019, management also embarked on a second phase which aims to ensure that the principles of the executive remuneration review are applied to the wider employee population.

In 2018, the Group reported its Gender Pay Reporting for the first time which highlighted some specific areas of focus for 2019 and beyond. The new Diversity and Inclusion plan includes changes that should start to show improvements in this area.

After the departure of David Barclay in September 2019, Jonathan Oatley has been appointed as the Chair of the Remuneration Committee.

Principle 6 – Stakeholders

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our purpose and to protect the company's brand, reputation and relationships with all our stakeholder community including shareholders, customers, employees, suppliers and the local communities in which we work.

2018 saw the introduction of the Duty to Report on Payment Practices and Performance and the Group's results for that year highlighted some areas on which the Group needed to improve in how it paid its supply chain. In 2019, the sector has focused on the number of invoices paid within 60 days as it is a requirement of The Prompt Payment Code, to which many main contractors are members, to pay at least 95% of invoices within 60 days. The Group has two entities that operate as a main contractor and report their payment performance externally. For the six-month period ending 31 December 2019, Wates Construction Limited has improved its performance from 90% to 96% and Wates Property Services Limited has remained consistent with previous periods at 94% (HI: 95%).

The Group communicates to its employees through presentations, internal group-wide emails, newsletters, social media channels and blogs on our intranet. An annual employee 'Roadshow', delivered in a number of locations around the country, provides a briefing on the Company's performance, gives an update on any initiatives that are being introduced and allows individuals to raise questions and concerns. The key focus of this year's Roadshow was the formal introduction of The Guiding Framework, announcing that the Group would be performing a review of its cost base to ensure that the Group was structured appropriately for the future and to give a summary of the work that was being performed to develop the new Diversity and Inclusion strategy.

Social media channels and the blogs on our intranet, give our employees the opportunity to interact with members of the Board and senior management. In 2019, the Board started to send summaries of key themes from the Group Board meeting via our internal social media platform. Annual employee engagement surveys are performed to highlight areas of improvement in communication of the Group's purpose. The Board considers the results of all employee engagement surveys a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities. The Wates Group is certified to Gold standard by Investors in People – an important external validation of the company's policies and performance in leading, supporting and managing employees well for sustainable results.

The Group performs customer engagement surveys which determine the Net Promoter Score (NPS) of the Group – this process is run by an external company to ensure independence.

NPS performance is being reported to the Board on a monthly basis. The findings are used to improve customer engagement with knowledge being shared across all of our business.

On all large contracts, the Group hosts local community events including 'Meet the Buyer' to engage with local stakeholders. The Group has also developed environmental targets with respect to waste, energy and nature that are to be developed throughout 2020. The company's website (www.wates.co.uk), intranet and social media channels provide extensive and up-to-date news on recent developments.

Group Board

Details of individual Directors' attendance of Board meetings in 2019 are shown in the following table:

Name of Director	Group Board meetings attended	Audit committee meetings attended	Remuneration Committee meetings attended
Chairman			
Sir James Wates CBE	8/8	n/a	n/a
Executives			
David Allen – Chief Executive	8/8	n/a	n/a
Philip Wainwright – Chief Financial Officer	8/8	n/a	n/a
Paul Chandler – Group MD Construction Group	8/8	n/a	n/a
Non-Executives - Family			
Andrew Wates	8/8	n/a	4/4
Charles Wates	8/8	n/a	n/a
Jonathan Wates	8/8	n/a	n/a
Timothy Wates	8/8	4/4	n/a
Non-Executives - Independent			
David Barclay – resigned 30 Sep 2019	6/6	3/3	3/3
Susan Harris – appointed 1 Nov 2019	2/2	1/1	n/a
Deena Mattar – resigned 4 Mar 2019	1/1	1/1	2/2
Jeremy Newsum	8/8	n/a	1/1
Jonathan Oatley	8/8	1/1	1/1

Audit Committee

The Committee's primary concerns 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 are available from 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, was appointed Chair of the Audit Committee on 1 November 2019 succeeding Deena Mattar who stepped down from the Board on 4 March 2019. Susan is deemed to be the person with recent and relevant financial experience. In addition to its Chairman, the Committee comprises two other Non-Executive Directors. David Barclay, as an Independent Non-Executive Director, was a member until he stepped down from the Board on 30 September 2019; Timothy Wates, a Director of the Wates Family, was a member for the whole year and acted as Interim Chairman from 5 March 2019 to 30 October 2019; and Jonathan Oatley, as an Independent Non-Executive Director, joined the Committee on 1 November 2019. The Board is satisfied that the recent and relevant financial experience of both the Committee Chair and the Committee's members during 2019 followed the principles of good governance in relation to their collective skills, knowledge and experience.

External Auditors

The Group appointed BDO LLP as external auditors on 1 November 2019. The Committee will assess the effectiveness of their performance in relation to the 2019 audit in July 2020 and every year thereafter, assessing the external auditors' governance, independence and professionalism. Both management and the external auditors are committed to a positive working relationship that enhances the effective and efficient execution of the audit process.

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

The Audit Committee identifies re-tendering of the external audit service at least every ten years as good practice.

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 on the right remuneration, with an emphasis on performance-related pay, strengthens the Group's ability to face challenges emanating from economic and market change, and to deliver long-term sustainable value for all stakeholders.

In 2019, the Remuneration Committee comprised three Non-Executive Directors and was chaired by David Barclay until he stepped down from the Board on 30 September 2019. Jonathan Oatley was appointed Chairman of the Committee on 1st October 2019. Members of the Committee during the year included Deena Mattar, Independent Non-Executive Director, who stepped down from the Board on 4 March 2019, Jeremy Newsum, Independent Non-Executive Director, who was appointed to the Committee on 1 October 2019 and Andrew Wates, a Director from the Wates family.

Nominations Committee

The Board operates a Nominations Committee to ensure that the Board remains balanced and effective, that succession plans are in place, and that its structure, composition and skills remain aligned to the Group's strategic objectives. The Committee's primary objective, when necessary, is to identify and evaluate candidates for future appointments and, in doing so, it takes advice from independent external recruitment consultants. In 2019, the Committee comprised Non-Executive Directors under the chairmanship of James Wates, including David Barclay and Jeremy Newsum who are considered independent and Timothy Wates who is a Director from the Wates family. The Committee has no formal schedule of meetings and meets as required. In 2019, the Committee led the process that resulted in the appointment of Susan Harris as an Independent Non-Executive Director of the Board.

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. In 2019, the Committee was chaired by Jonathan Wates, a Non-Executive Director from the Wates family, and its members included Jonathan Oatley, an independent Non-Executive Director, Susan Harris (from 1 November 2019) an independent Non-Executive Director, the Chief Executive and Chief Financial Officer with invitations extended to the Group Safety, Health, Environment and Quality Director and the Group Strategy Director. In 2019, the Committee considered what the right scope of sustainability activity would be for the Business from both an operational and strategic dimension and agreed that the Committee's focus should be on three key priorities; the future workforce; reduction of waste (including energy use); and new ways of designing and building sustainably.

Executive Committee

The Executive Committee is responsible for the day-to-day management of the Group's business affairs under leadership of the Chief Executive. The Committee's duties include formulating strategy proposals for Board approval and ensuring that the agreed strategy is implemented in a timely and effective manner.

The Executive Committee is chaired by the Chief Executive and consists of individuals responsible for the strategic business units and key functions. A biography for each Executive Committee member can be found at the Group's website www.wates.co.uk.

Group Risk Committee

The Group operates a Risk Committee to ensure that inherent and emerging risks are identified and managed in a timely manner and at an appropriate level. The Committee reviews the organisation's response to specific areas of risk and approves standards and processes where control weaknesses are considered to exist.

In 2019, the Committee was chaired by the Chief Executive and comprised of members of the Executive Committee and functional leaders, including the Head of Internal Audit, the Group Financial Controller and the Group Commercial Legal Adviser. The Board remains satisfied that the composition of the Committee strengthens the Group's approach to risk management and mitigation and that the Committee remains focused on the key risks affecting financial and operational performance.

Directors' Report

The directors present their Annual Accounts and Reports for the year ending 31 December 2019. This report must be read in conjunction with the Strategic Report on page 54.

Dividends

The directors declared dividends in 2019 totalling £10,368,109 (2018: £11,565,680) of which £6,509,010 was paid on 8 April 2019 and £3,859,099 was paid on 11 November 2019. No further dividends have been declared in respect of the Accounts to 31 December 2019.

Health & 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 with whom the Group comes into contact 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, which is fundamental to achieving the Group's strategy and long-term objectives. Wates uses a variety of media to inform employees about the Group's development and prospects and seeks and listens to employees' views and opinions.

The Group's annual Roadshow, which is open to all employees, is the forum by which the Chief Executive informs and updates staff on the Group's 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. 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 convene 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 through 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 4 to the accounts.

Equal Opportunities

The Group is an active equal opportunities employer and

promotes an environment free from discrimination, harassment and 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 in engaging further with their teams and in demonstrating 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 purposes of long-term succession planning.

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 we work, 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 19 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 13 November 2012.

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

Directors' Report cont.

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 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. A director benefited from a qualifying pension scheme indemnity provision during the financial year ending 31 December 2019 but not at the date of this report.

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 (Group MD Construction Group)

David M. Barclay (resigned 30 September 2019)

Susan E. Harris (appointed 1 November 2019)

Deena E. Mattar (resigned 4 March 2019)

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 £1.5m (2018: £1.5m). No political donations were made in 2019 or 2018.

Going Concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. 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 2020 Annual General Meeting of the Company will be held on Wednesday 6 May 2020.

Post Balance Sheet Events

There were no post balance sheet events requiring disclosure.

Approved by the Board of Directors on 11 March 2020 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 Auditors' Report

to the members of Wates Group Limited

Opinion

We have audited the financial statements of Wates Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 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).

In our opinion Wates Group Limited's 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 2019 and of the Group's profit for the year then ended;
- the financial statements 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.

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.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the 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

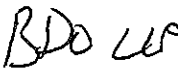
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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.



Charles Ellis (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
London, UK
12 March 2020

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 2019

	Notes	2019 £000s	2018 £000s
Turnover			
Group and share of joint ventures and associates		1,634,374	1,601,035
Less share of turnover of joint ventures and associates		(86,338)	(100,426)
Group turnover	2	1,548,036	1,500,609
Cost of sales		(1,366,935)	(1,322,746)
Gross Profit		181,101	177,863
Administrative expenses		(158,386)	(159,845)
Net surplus on revaluation of investment properties		1,194	3,409
Profit on sale of investment in joint venture		571	-
Group operating profit	3	24,480	21,427
Share of post-tax profit from joint ventures and associates		7,989	10,863
Total operating profit: Group and share of joint ventures and associates		32,469	32,290
Analysed between:			
Total operating profit before interest and tax		39,032	39,011
Net interest payable – joint ventures and associates		(4,931)	(5,230)
Taxation – joint ventures and associates		(1,632)	(1,491)
Interest payable and similar charges	6	(2,878)	(1,925)
Interest receivable	6	4,979	4,062
Profit before taxation		34,570	34,427
Analysed between:			
Profit before taxation and before taxation of joint ventures and associates		36,202	35,918
Taxation – joint ventures and associates		(1,632)	(1,491)
Taxation on profit	7	(6,346)	(6,951)
Profit for the financial year		28,224	27,476

The above results have been derived from continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 £000s	2018 £000s
Profit for the financial year		28,224	27,476
Currency translation difference on foreign currency net investment		232	(470)
Remeasurement of net defined benefit liability	22	(1,817)	479
		(1,585)	9
Tax relating to components of other comprehensive income	22	309	(81)
Share of other comprehensive income of joint venture		-	559
Other comprehensive income for the year		(1,276)	487
Total comprehensive income for the year		26,948	27,963

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

CONSOLIDATED BALANCE SHEET

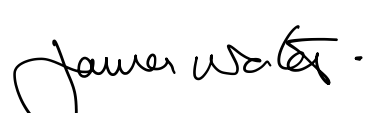
Consolidated Balance Sheet

At 31 December 2019

	Notes	2019 £000s	2018 £000s
Fixed Assets			
Intangible assets – goodwill	8	48,536	52,013
Tangible assets	9	80,351	74,314
Investments in joint ventures and associates	10	117,769	92,578
Other investments	10	824	2,345
		247,480	221,250
Current assets			
Stocks	11	48,248	40,206
Debtors			
- due within one year	12	296,838	279,817
- due after one year	12	41,756	30,837
		338,594	310,654
Cash at bank and in hand	13	142,179	114,171
		529,021	465,031
Creditors: amounts falling due within one year	14	(567,979)	(462,773)
Net current (liabilities)/assets		(38,958)	2,258
Total assets less current liabilities		208,522	223,508
Creditors: amounts falling due after more than one year	15	(23,423)	(48,313)
Provisions for liabilities	16	(32,707)	(39,383)
Net assets		152,392	135,812
Capital and reserves			
Called up share capital	19	14,777	14,777
Share premium account	19	956	956
Capital redemption reserve	19	17,447	17,447
Profit and loss account	19	119,212	102,632
Shareholders' funds		152,392	135,812

The notes on pages 78 to 96 form part of these accounts.

Approved by the Board of Directors on 11 March 2020 and signed on its behalf by:


Sir James G. M. Wates CBE
Chairman


D. O. Allen
Chief Executive

COMPANY BALANCE SHEET

Company Balance Sheet

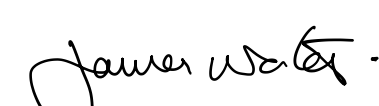
At 31 December 2019

	Notes	2019 £000s	2018 £000s
Fixed Assets			
Investments	10	142,469	124,946
Current assets			
Debtors			
- due within one year	12	51,526	53,012
- due after one year	12	753	514
		52,279	53,526
Cash at bank and in hand		4,219	4,846
		56,498	58,372
Creditors: amounts falling due within one year	14	(151,435)	(141,679)
Net current liabilities		(94,937)	(83,307)
Net assets		47,532	41,639
Capital and reserves			
Called up share capital	19	14,777	14,777
Share premium account	19	956	956
Capital redemption reserve	19	17,447	17,447
Profit and loss account	19	14,352	8,459
Shareholders' funds		47,532	41,639

The notes on pages 78 to 96 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £16,261,000 (2018: £10,172,000).

Approved by the Board of Directors on 11 March 2020 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 2019

	Called up share capital £000s	Share premium account £000s	Capital redemption reserve £000s	Cash flow hedge reserve £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2017	14,777	956	17,447	(559)	86,794	119,415
Profit for the financial year	-	-	-	-	27,476	27,476
Currency translation difference on foreign currency net investment	-	-	-	-	(470)	(470)
Remeasurement of net defined benefit liability	-	-	-	-	479	479
Tax relating to items of other comprehensive income	-	-	-	-	(81)	(81)
Share of other comprehensive income of joint venture	-	-	-	559	-	559
Total comprehensive income	-	-	-	559	27,404	27,963
Dividends declared on equity shares	-	-	-	-	(11,566)	(11,566)
At 31 December 2018	14,777	956	17,447	-	102,632	135,812
Profit for the financial year	-	-	-	-	28,224	28,224
Currency translation difference on foreign currency net investment	-	-	-	-	232	232
Remeasurement of net defined benefit liability	-	-	-	-	(1,817)	(1,817)
Tax relating to items of other comprehensive income	-	-	-	-	309	309
Total comprehensive income	-	-	-	-	26,948	26,948
Dividends declared on equity shares	-	-	-	-	(10,368)	(10,368)
At 31 December 2019	14,777	956	17,447	-	119,212	152,392

Dividends of £11,565,680 were declared in 2018 and payments of £7,885,513 and £3,680,167 were paid on 6 April 2018 and 7 November 2018 respectively. Dividends of £10,368,109 were declared in 2019 and payments of £6,509,010 and £3,859,099 were paid on 8 April 2019 and 11 November 2019 respectively.

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £000s	Share premium account £000s	Capital redemption reserve £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2017	14,777	956	17,447	9,853	43,033
Total comprehensive income	-	-	-	10,172	10,172
Dividends declared on equity shares	-	-	-	(11,566)	(11,566)
At 31 December 2018	14,777	956	17,447	8,459	41,639
Total comprehensive income	-	-	-	16,261	16,261
Dividends declared on equity shares	-	-	-	(10,368)	(10,368)
At 31 December 2019	14,777	956	17,447	14,352	47,532

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

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Notes	2019 £000s	2018 £000s
Net cash inflow/(outflow) from operating activities	20	68,375	(9,842)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		5	253
Proceeds from sale of joint ventures		250	-
Proceeds from sale of properties with equity loans		179	-
Purchase of tangible fixed assets		(11,216)	(18,248)
Loans paid to joint ventures		(40,029)	(41,422)
Loans repaid by joint ventures		18,596	16,139
Dividends received from joint ventures and associates		1,581	3,486
Net cash outflow from investing activities		(30,634)	(39,792)
Cash flows from financing activities			
Equity dividends paid		(10,368)	(11,566)
Bank loans borrowed		30,635	5,835
Bank loans repaid		(30,000)	-
Net cash outflow from financing activities		(9,733)	(5,731)
Net increase/(decrease) in cash and cash equivalents		28,008	(55,365)
Cash and cash equivalents at beginning of year		114,171	169,536
Cash at bank and in hand		142,179	114,171

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 53. 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 and derivative financial instruments, 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 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 Group has considerable financial resources, together with a strong forward-order book, with a number of customers and suppliers across different geographic areas and market sectors. As a consequence, the directors believe that the Group is well placed to manage the principal business risks and uncertainties set out in the Strategic Report effectively.

At 31 December 2019 the Group has net current liabilities of £(39.0)m. The Board considers financial resilience on a monthly basis including by reviewing the level of undrawn Revolving Credit Facility (£93m at 31 December 2019) and the current Group Cash figure (£142.2m at 31 December 2019) to understand whether the Group will be able to settle its liabilities as they fall due with the facilities that it has available. The Revolving Credit Facility expires in 2023.

The Board approves long term budgets and business plans which show sustained profits and consistent cash flow generation. In addition to this, the Group has run various scenarios (sensitivity analysis) to determine financial resilience throughout the year to be able to continue trading as a going concern, if certain events were to take place (e.g. a recession). This is reviewed regularly by the Board.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Group's accounts.

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) Research and development

Research and development costs are written off as incurred.

vii) 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.

viii) 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:

Freehold land and buildings	50 years
Short leasehold land and buildings	period of lease
Plant and equipment	2 to 10 years

ix) 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.

(d) Derivative financial instruments and hedging in a joint venture

The derivative financial instruments of a joint venture, in which the Group has an investment, are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

A joint venture entered into an interest rate swap and designated this as a cash flow hedge for a highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument was recognised directly in other comprehensive income. Any ineffective portion of the hedge was recognised immediately in profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is recognised in the profit and loss account immediately.

x) 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 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.

xi) 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.

xii) 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 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.

xiii) 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 in to 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.

xiv) 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.

xv) 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 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.

xvi) Leases

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

xvii) Retirement benefits

The Group operates a defined benefit pension scheme providing benefits based on pensionable pay, which is closed to new entrants with only 5 active members continuing to accrue 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, we sometimes transfer employees (TUPE) and take 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.

xviii) 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.

xix) Dividends

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

xx) Significant areas of judgement and uncertainty

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, the valuation of investment property and the assumptions used in the accounting for the defined benefit pension scheme.

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 judgements 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.

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.

The annual valuation of investment properties is carried out by an independent chartered surveyor 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.

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.

NOTES TO THE ACCOUNTS

2. Group turnover

Analysis by class of business	2019 Turnover £000s	2018* Turnover £000s
Construction	922,699	846,481
Residential Developments	146,483	143,500
Property Services	474,316	505,975
Other	4,538	4,653
Group total	1,548,036	1,500,609

*The classification of comparative figures have been corrected. There is no impact on the total revenue but Residential Developments has increased and Property Services has decreased by £5,600,000.

Analysis of Group turnover	2019 Turnover £000s	2018* Turnover £000s
Construction contracts	1,302,958	1,211,102
Rendering of services	177,208	215,795
Sale of land and residential properties	63,332	69,059
Rental/licence fee income	4,538	4,653
Group total	1,548,036	1,500,609

*The classification of comparative figures have been corrected. There is no impact on the total revenue but Construction contracts has decreased and Sale of land and residential properties has increased by £5,600,000.

Group turnover is materially within the United Kingdom.

3. Group operating profit

	2019 £000s	2018 £000s
This is stated after charging/(crediting):		
Amortisation of goodwill	3,477	3,477
Auditors' remuneration*		
- audit of these accounts	32	28
- audit of subsidiaries' accounts**	344	286
- taxation compliance services	-	8
- non-audit services	-	330
Cost of stock recognised as expense	52,112	56,906
Depreciation of tangible fixed assets (including loss on disposal £71,000 (2018 £19,000))	6,368	5,554
Foreign exchange loss /(gain)	280	(470)
Hire of plant and machinery	5,295	7,271
Operating lease rentals	6,547	6,949
Research and development credits	(2,241)	(1,169)
Research and development	10,500	7,108
GMP equalisation	-	1,300

*Excludes fee payments made through joint ventures

**2019 includes fee of £18,000 paid to PricewaterhouseCoopers LLP in respect of the prior year audit

4. Staff numbers and costs

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

	2019 Number	2018 Number
Operations	2,557	2,704
Administration	1,267	1,193
	3,824	3,897

The aggregate payroll costs for the Group were as follows:

	2019 £000s	2018 £000s
Wages and salaries	228,315	223,758
Social security costs	26,772	26,240
Other pension costs	20,325	17,845
	275,412	267,843

The pension operating cost for the year was £1,063,000 (2018: £1,371,000) in respect of defined benefit arrangements and £19,262,000 (2018: £16,474,000) in respect of defined contribution arrangements.

There are no employees of the company.

5. Remuneration of directors

	2019 £000s	2018 £000s
Directors' emoluments – executive and family directors	3,232	2,104
– independent non-executive directors	179	213
Amounts receivable under long-term incentive scheme	1,330	-
Contributions to money purchase pension schemes	72	49
	4,813	2,366

Three (2018: three) directors have benefits accruing under a money purchase pension scheme.

	2019 £000s	2018 £000s
Highest paid director – emoluments	1,024	972
– amounts receivable under long-term incentive scheme	715	-

NOTES TO THE ACCOUNTS

6. Net interest receivable

	2019 £000s	2018 £000s
Interest payable and similar charges		
Bank interest	(1,130)	(550)
Bank charges	(994)	(461)
Net interest on defined benefit liability	(754)	(914)
Interest payable and similar charges	(2,878)	(1,925)
Interest receivable		
Bank	346	243
Other	4,633	3,819
Interest receivable	4,979	4,062

Other interest receivable includes amounts from Joint ventures of £4,269,000 (2018: £3,481,000) which is also included within interest payable by joint ventures disclosed on the face of the Consolidated profit and loss account.

7. Taxation on profit

a) Analysis of the charge in the year

	2019 £000s	2018 £000s
Current tax		
UK corporation tax on the profit for the year	3,728	5,421
Adjustments in respect of prior years	(277)	681
Total current tax	3,451	6,102
Deferred tax		
Origination and reversal of timing differences	2,333	907
Adjustments in respect of prior years	562	(58)
Total deferred tax charge	2,895	849
Total tax on profit	6,346	6,951

During the year beginning 1 January 2020, 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.

7. Taxation on profit continued

b) Factors affecting the total tax charge for the year

The total tax charge for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000s	2018 £000s
Profit before taxation	34,570	34,427
Less share of profit after tax of joint ventures and associates taxed as separate entities	(5,699)	(6,169)
Group profit before tax	28,871	28,258
Group profit at the standard rate of corporation tax in the UK of 19% (2018: 19%)	5,485	5,369
Effects of:		
Permanent disallowable costs	1,069	1,543
Decrease in tax rate / timing differences	(493)	(584)
Adjustments in respect of prior years	285	623
Group total tax charge for the year	6,346	6,951

8. Intangible assets – goodwill

Group	£000s
Cost at 1 January 2019 and 31 December 2019	72,098
Amortisation:	
At 1 January 2019	20,085
Provided during the year	3,477
At 31 December 2019	23,562
Net book value:	
At 31 December 2019	48,536
At 31 December 2018	52,013

The net book value of goodwill at 31 December 2019 includes amounts and remaining amortisation periods regarding the following acquisitions:

Wates Property Services Limited £15,474,000 – 11.4 years
Purchase Group Limited Group £6,204,000 – 14.9 years
Parts of the Shepherd Group £26,858,000 – 15.8 years

NOTES TO THE ACCOUNTS

9. Tangible fixed assets

	Land and buildings				
	Investment properties freehold £000s	Short leasehold £000s	Plant and equipment £000s	Assets in the course of construction £000s	Group total £000s
Valuation or cost:					
At 1 January 2019	52,025	10,277	35,054	6,649	104,005
Additions	221	327	3,669	7,099	11,316
Revaluations	1,194	-	-	-	1,194
Transfers	-	-	6,867	(6,967)	(100)
Disposals	-	(27)	(1,022)	-	(1,049)
At 31 December 2019	53,440	10,577	44,568	6,781	115,366
Depreciation:					
At 1 January 2019	-	2,300	27,391	-	29,691
Provided during the year	-	1,453	4,844	-	6,297
Disposals	-	(27)	(946)	-	(973)
At 31 December 2019	-	3,726	31,289	-	35,015
Net book amounts:					
At 31 December 2019	53,440	6,851	13,279	6,781	80,351
At 31 December 2018	52,025	7,977	7,663	6,649	74,314

Investment properties, which are all freehold, were revalued as at 31 December 2019 to fair value at £53,444,000, based on a valuation undertaken by Richard M. Trimming BSc FRICS, 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 (xx). The cost of investment properties at 31 December 2019 was £43,684,000 (2018: £43,463,000). Other tangible fixed assets are stated at cost less depreciation.

At the balance sheet date the Group had committed to incur capital expenditure of £172,000 (2018: £nil).

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 £1,046,000 (2018: £1,540,000), and due over one year up to 5 years of £730,000 (2018: £1,508,000) and due over 5 years of £nil (2018: £83,000). Contracts include licence agreements. They are generally issued on a 3 month minimum term basis, rolling monthly thereafter.

10. Joint ventures and associates and other investments

	Joint ventures £000s	Associates £000s	Total joint ventures and associates £000s	Unquoted investments £000s	Equity loans £000s	Total other investments £000s
At 1 January 2019	92,250	328	92,578	1,874	471	2,345
Additions	40,029	-	40,029	-	-	-
Repayments	(20,096)	(81)	(20,177)	-	(179)	(179)
Transferred to debtors	(74)	-	(74)	-	-	-
Reclassification*	(3,106)	-	(3,106)	-	-	-
Deferred income release	530	-	530	-	-	-
Profit	-	-	-	-	93	93
Impairment	-	-	-	(1,435)	-	(1,435)
Share of profit	7,945	44	7,989	-	-	-
At 31 December 2019	117,478	291	117,769	439	385	824

10. Joint ventures and associates and other investments (continued)

The prior year figure for other investments has been reduced by £328,000 to reallocate the interests in associates to the revised heading of interests in joint ventures and associates. The investment in joint ventures includes loans amounting to £85,008,000 (2018: £66,835,000). Repayments includes dividends received from joint ventures and associates of £1,581,000 (2018: £3,486,000).

**This relates to unrealised profit on sales made by the Group into the joint ventures that was previously recognised as deferred income.*

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%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
Barratt Wates (East Grinstead) Limited	50.0%	
Barratt Wates (East Grinstead) No. 2 Limited	50.0%	
Barratt Wates (Horley) Limited	21.5%	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF
Barratt Wates (Lindfield) Limited	50.0%	
Barratt Wates (Worthing) Limited	50.0%	
DWH/Wates (Thame) Limited	50.0%	
Berkshire Land Limited	33.3%	The Manor House, North Ash Road, New Ash Green, Longfield, Kent, DA3 8HQ
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%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
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%	
Miller Wates (Bracklesham) Limited	50.0%	
Miller Wates (Chalgrove) Limited	50.0%	
Miller Wates (Didcot) Limited	50.0%	2 Centro Place, Pride Park, Derby, Derbyshire DE24 8RF
Miller Wates (Southwater) Limited	50.0%	
Miller Wates (Wallingford) Limited	50.0%	
HWR Nominee Ltd	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW

The Group holds the following interests in limited liability partnerships:

	Interest	Registered office
Havering and Wates Regeneration LLP	50.0%	
HWR Phase 1 Stage 1 LLP	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
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%	
Linden Wates (Horsham) LLP	50.0%	
Linden Wates (Ringwood) LLP	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
Linden Wates (Royston) LLP	50.0%	
Linden Wates (Salisbury) LLP	50.0%	
Linden Wates (Walberton) LLP	50.0%	

NOTES TO THE ACCOUNTS

10. Joint ventures and associates and other investments (continued)

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 TN11LQ
QSH Propco Limited	15.0%	2 Merus Court, Meridian Business Park, Leicester LE19 1RJ
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	Connect House, Kingston Road, Leatherhead, Surrey KT22 7LT

The cost of shares in unquoted investments is £1,874,000 (2018: £1,874,000). An impairment of £1,436,000 (2018: £nil) was recognised in the year as it was no longer considered recoverable in full.

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 £467,000 (2018: £564,000), 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 £93,000 (2018: £144,000), which are repayable if the properties are not sold by 2021. The loans are mainly secured by a charge over the property. Loans with a cost of £180,000 (2018: £242,000) are interest free and loans with a cost of £287,000 (2018: £322,000) 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 £82,000 (2018: £94,000) is held against these loans.

Company

	Shares in Group undertakings £000s	Interests in Joint ventures £000s	Unquoted Investments £000s	Total £000s
At 1 January 2019	56,538	66,534	1,874	124,946
Additions	-	37,563	-	37,563
Repayments	-	(18,604)	-	(18,604)
Impairment	-	-	(1,436)	(1,436)
At 31 December 2019	56,538	85,493	438	142,469

The cost of shares in Group undertakings is £71,762,000 (2018: £75,262,000). The shares in Group undertakings of £56,538,000 (2018: £56,538,000) is net of cumulative impairments of £15,224,000 (2018: £15,224,000). The investment in joint ventures includes loans amounting to £85,483,000 (2018: £66,525,000). Repayments includes dividends received from joint ventures of £750,000 (2018: £2,100,000). The cost of shares in unquoted investments is £1,874,000 (2018: £1,874,000). An impairment of £1,436,000 (2018: nil) was recognised in the year as it was no longer considered recoverable in full.

For the year ending 31 December 2019 the following subsidiary companies of the company were entitled to exemption from audit of individual company accounts under Section 479A of the Companies Act 2006:

- Wates Limited (company number 03599183)
- Wates Group Services Limited (company number 0340931)
- Wates (Walberton) Limited (company number 11149972)
- Brooks and Rivers Limited (company number 0260431)
- Wates Homes (Oakley) Limited (company number 5511851)
- Wates Homes (Odiham) Ltd (company number 5511849)

A list of the Group's subsidiary undertakings is set out on page 97.

11. Stocks

Group	2019 £000s	2018 £000s
Raw materials and consumables	207	288
Residential land and work in progress under development	48,041	39,918
	48,248	40,206

12. Debtors

Group	Group 2019 £000s	Group 2018 £000s	Company 2019 £000s	Company 2018 £000s
Amounts falling due within one year				
Trade debtors	96,845	94,939	18	-
Amounts recoverable on contracts	171,753	158,097	-	-
Amounts owed by subsidiary undertakings	-	-	48,024	41,633
Amounts owed by joint ventures and associates	2,926	12,588	962	8,953
Deferred taxation (note 17)	2,917	2,573	-	193
Corporation tax receivable	2,281	-	-	-
Other debtors	8,494	4,146	2,140	2,000
Prepayments and accrued income	11,622	7,474	382	233
	296,838	279,817	51,526	53,012
Amounts falling due after more than one year				
Trade debtors	2,048	3,107	-	-
Amounts recoverable on contracts	32,000	15,198	-	-
Amounts owed by joint ventures and associates	-	2,397	-	-
Deferred taxation (note 17)	6,822	9,752	-	265
Other debtors	133	134	-	-
Prepayments and accrued income	753	249	753	249
	41,756	30,837	753	514
	338,594	310,654	52,279	53,526

13. Cash and cash equivalents

Group	2019 £000s	2018 £000s
Restricted cash	4,870	-
Cash at bank	137,309	114,171
	142,179	114,171

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 are released from the account on receipt of a signed certificate from the site partner. The remaining balance will be distributed in full between the partners in accordance with the profit share agreement six months after the final unit sale on the site. A reconciliation of the changes in net debt has not been included as all movements are cash in nature. The net cash position at year end is £115,551,000 (2018: £88,051,000).

NOTES TO THE ACCOUNTS

14. Creditors: amounts falling due within one year

	Group 2019 £000s	Group 2018 £000s	Company 2019 £000s	Company 2018 £000s
Bank loans	26,628	607	-	-
Advance payments on account of contracts	135,518	87,111	-	-
Trade creditors	99,015	89,078	-	-
Amounts owed to subsidiary undertakings	-	-	138,689	133,198
Amounts owed to joint ventures	12,022	7,657	12,022	7,657
Corporation tax payable	-	936	232	286
Other taxes and social security	19,318	24,017	-	-
Other creditors	3,554	3,823	-	-
Accruals	270,640	246,137	492	538
Deferred income	1,284	3,407	-	-
	567,979	462,773	151,435	141,679

The Group has in place a Revolving Credit Facility of £120m which expires in 2023. Bank loans include £27,000,000 drawn for 6 months under the Revolving Credit Facility into a subsidiary, Needspace? Limited which is repayable on 12 March 2020. Bank loans are disclosed net of unamortised arrangement fees of £372,000 (2018: £87,000). The facility is 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. In 2018 bank loans included a short term element of £694,000 of a secured term bank loan which was secured on the freehold investment properties and other assets of a subsidiary, Needspace? Limited.

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

	Group 2019 £000s	Group 2018 £000s	Company 2019 £000s	Company 2018 £000s
Bank loans	-	25,513	-	-
Trade creditors	-	1,827	-	-
Accruals	20,117	15,684	-	-
Deferred income	3,306	5,289	-	-
	23,423	48,313	-	-

In 2018 bank loans included a secured term bank loan of £25,671,000 which was secured on the freehold investment properties and other assets of a subsidiary, Needspace? Limited. Bank loans are disclosed net of unamortised arrangement fees of £nil (2018: £158,000).

16. Provisions for liabilities

Group	2019 £000s	2018 £000s
At 1 January	8,779	3,833
Utilised during the year	(100)	(1,626)
Charged to profit and loss account	242	6,572
At 31 December	8,921	8,779
Provision for net defined benefit scheme deficit (note 22)	23,786	30,604
Total	32,707	39,383

Provisions other than the provision for the net defined benefit scheme deficit are construction related and are the Group's estimates of the amounts which are expected to be paid. The obligation is likely to crystallise more than one year after the balance sheet date.

17. Deferred taxation

Group	£000s
At 1 January 2019	12,325
Charged to profit and loss account	(2,895)
Credited to other comprehensive income	309
At 31 December 2019	9,739

Deferred taxation is provided as follows:

	2019 £000s	2018 £000s
Accumulated depreciation in excess of capital allowances	668	836
Deferred tax arising in relation to retirement benefit obligations	4,044	5,203
Other timing differences including tax losses	5,027	6,286
	9,739	12,325

	2019 £000s	2018 £000s
Deferred taxation asset under one year	2,917	2,573
Deferred taxation asset over one year	6,822	9,752
	9,739	12,325

Company	£000s
At 1 January 2019	458
Credited to profit and loss account	(458)
At 31 December 2019	-

Deferred taxation is provided as follows:

	2019 £000s	2018 £000s
Other timing differences	-	458

	2019 £000s	2018 £000s
Deferred taxation asset under one year	-	193
Deferred taxation asset over one year	-	265
	-	458

NOTES TO THE ACCOUNTS

18. 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	2019 £000s	2018 £000s
Financial assets		
Debt instruments measured at amortised cost		
• Loans receivable from joint ventures (notes 10 and 12)	85,533	76,317
Equity instruments measured at cost less impairment		
• Fixed asset investments in unlisted equity instruments (note 10)	439	1,874
• Equity loans (note 10)	385	471
Financial liabilities		
Measured at amortised cost		
• Loans payable (notes 14 and 15)	26,628	26,120
Interest income and expense		
Total interest income for financial assets at amortised cost	4,269	3,481
Total interest expense for financial liabilities at amortised cost	2,124	1,011

19. Called up share capital and reserves

	Number	2019 £000s	Number	2018 £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

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.

The priority of dividends other than ordinary dividends is as follows:

- Firstly, index linked shareholders ('index shareholders') are entitled to annual non-cumulative preferential dividends being the greater of the preceding such dividend and that amount indexed using the Retail Price Index;
- Secondly, preference shareholders are entitled to biannual fixed non-cumulative dividends each at the rate of 17 per cent per annum on the amount paid up and in issue regarding these shares;
- 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, if the post-tax profit of the Group exceeds £9,000,000 for the year in question.

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.

20. Reconciliation of Group operating profit to cash generated by operations

Group	2019 £000s	2018 £000s
Group operating profit including joint ventures and associates	32,469	32,290
Adjustments for:		
Increase in fair value of investment property	(1,194)	(3,409)
Profit on sale of investment in joint venture	(571)	-
Profit on sale of properties with equity loans	(93)	-
Depreciation and amortisation	9,845	9,032
Joint ventures and associates	(7,989)	(11,456)
Impairment of other investments	1,435	-
Increase in stocks	(8,042)	(10,364)
(Increase)/decrease in debtors	(29,083)	7,546
Increase/(decrease) in creditors	81,633	(27,031)
Increase in provisions	142	4,946
Cash from operations before adjustment for pensions funding	78,552	1,554
Adjustment for pensions funding	(9,389)	(11,304)
Cash generated from/(used in) from operations	69,163	(9,750)
Interest received	4,686	3,805
Interest paid	(1,130)	(550)
Corporation tax paid	(4,344)	(3,347)
Net cash inflow/(outflow) from operating activities	68,375	(9,842)

21. Operating Lease Commitments

Group	2019 £000s	2018 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	6,343	6,595
Between one and five years	10,469	13,880
After five years	2,023	4,220
	18,835	24,695

NOTES TO THE ACCOUNTS

22. Pension schemes

The Group operates a funded defined benefit pension scheme, the Wates Pension Fund ('the scheme'), for all qualifying employees working in the UK and 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(xvii)).

The funds of the scheme are administered by trustees and are separate from the funds of the Group. The scheme is closed to new entrants.

The latest full actuarial valuation of the scheme was carried out at 31 December 2017 and was updated to 31 December 2019 by a qualified independent actuary.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	2019	2018
Discount rate	2.20%	2.90%
Rate of compensation increase	3.80%	4.20%
Rate of price inflation	2.80%	3.20%
Rate of pension increase	2.00%	2.10%
Weighted average life expectancy for mortality tables used to determine benefit obligations at year end	2019 Years	2018 Years
Male member age 65 (current life expectancy)	22.4	22.5
Female member age 65 (current life expectancy)	24.8	24.5
Male member age 45 (life expectancy at age 65)	23.7	23.9
Female member age 45 (life expectancy at age 65)	26.2	26.0
Components of pension cost	2019 £000s	2018 £000s
Recognised in the profit and loss account:		
Current service (credit)/cost	(181)	133
Net interest cost	754	914
Past service cost*	-	1,300
	573	2,347
Recognised in other comprehensive income	1,817	(479)
Total cost relating to defined benefit scheme	2,390	1,868
Analysis of deferred tax recognised in other comprehensive income	2019 £000s	2018 £000s
Tax (credit)/cost relating to remeasurement of net defined benefit liability	(309)	81
Decrease in tax rate on opening net defined benefit liability	-	-
Total tax (credit)/cost relating to other comprehensive income	(309)	81

*On 26 October 2018, the High Court ruled on the Lloyds Bank GMP Inequalities case. In response to this, an allowance of £nil (2018: £1.3m) has been included to make provision for the estimated costs arising from the judgment.

The amount included in the balance sheet arising from the Group's obligations in respect of the scheme is as follows:

	2019 £000s	2018 £000s
Present value of defined benefit obligations	310,996	282,308
Fair value of scheme assets	287,210	251,704
Net liability recognised in the balance sheet	23,786	30,604

	2019 £000s	2018 £000s
Movements in the present value of defined benefit obligations:		
At 1 January	282,308	298,122
Service (credit)/cost	(181)	133
Interest cost	8,030	7,619
Actuarial gain/(loss)	31,706	(14,641)
Benefits paid	(10,867)	(10,225)
Past service cost	-	1,300
At 31 December	310,996	282,308
Movements in the fair value of scheme assets:		
At 1 January	251,704	256,649
Interest income	7,276	6,705
Actual return less interest on scheme assets	29,889	(14,162)
Employer contribution	9,208	12,737
Benefits paid	(10,867)	(10,225)
At 31 December	287,210	251,704

The analysis of scheme assets at the balance sheet date was as follows:

	2019	2018
Major categories of scheme assets as a percentage of the fair value of total Scheme assets:		
Equity securities	25.9%	19.4%
Debt securities	66.8%	72.3%
Real estate	2.3%	2.7%
Cash and cash equivalents	5.0%	5.6%
At 31 December	100.0%	100.0%

Contributions

The Group expects to contribute £8,400,000 to the scheme in 2020 for deficit reduction contributions.

23. 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 which the directors consider will become payable on account of claims. There are contingent liabilities in respect of guarantees under buildings and other agreements entered into in the normal course of business.

The Company has guaranteed the bank loan due by a subsidiary undertaking (note 14).

24. 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 2019 was £5,000,000 (2018: £19,973,000).

Amounts were due to the Group from joint ventures and associates at 31 December 2019 of £87,935,000 (2018: £81,822,000). Additionally at 31 December 2019, the Group owed joint ventures £12,022,000 (2018: £7,657,000). Interest at market rates is receivable/ (payable) in respect of loans, which are unsecured, due from/(to) joint ventures.

At 31 December 2019, £2,605,000 (2018: £2,422,000) was due from Myriad CEG Group Limited ('Myriad') and £2,000,000 (2018: £2,000,000) was due from Cornflower Investments Limited ('Cornflower'). The amount due from Myriad CEG Group Ltd has been fully provided for. The amount due from Cornflower is included in other debtors of the Company and the Group. Interest is receivable at a market rate in respect of these amounts. Myriad and Cornflower are related to the Company and the Group through common control.

The Company has guaranteed a £500,000 bank overdraft facility held by a subsidiary of Myriad and in turn has received a counter guarantee from members of the Wates family.

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.

Deena Mattar, a Non-Executive Director of the Company (resigned 4 March 2019), is a Non-Executive for Grant Thornton, who carried out advisory work for the internal audit function of the Group for fees of £29,000 (2018: £19,000).

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 £10,226,000 (2018: £5,643,000).

Subsidiary Undertakings
At 31 December 2019

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% in the issued share capital of the subsidiary undertakings listed below included in the consolidated accounts.

Wates Amenity Lands Limited	Wates Property Services Limited
Wates Built Homes (Blakes) Limited	Wates Maintenance Services Limited
Wates Built Homes (London) Limited	Wates Pension Trustee Company Limited
Wates Built Homes Limited	Wates PFI Investments Limited
Wates Built Homes (Retirement) Limited	Wates PFI Investments (Projects) Limited
Wates Built Homes (Southern) Limited	Wates PFI Investments (QED) 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 Regeneration (Coventry) Limited
Wates Construction Limited*	Wates Regeneration (South Acton) Limited
Wates Construction Services Limited	Wates Regeneration (Tavy Bridge) Limited
Wates Developments (Bonehurst Horley) Limited	Wates Second Land Limited
Wates Developments Limited*	Wates Smartspace Limited
Wates Financial Services Limited	Wates Staff Trustees Limited
Wates Group Properties Limited	Wates (Walberton) Limited
Wates Group Services Limited*	10 St Bride Street Limited*
Wates Healthcare Trustee Company Limited	Brooks and Rivers Limited
Wates Homes (Bracknell) Limited	G Purchase Construction Limited
Wates Homes (Cambridge) Limited	GW 217 Limited
Wates Homes (Chichester) Limited	Needspace? Limited*
Wates Homes (Farnham Common) Limited	Purchase Group Limited
Wates Homes Limited	Purchase Home Improvements Limited
Wates Homes (Oakley) Limited	Purchase Homes Limited
Wates Homes (Odiham) Limited	Purchase Support Limited
Wates Homes (Wallingford) Limited	QED Education Environments Limited*
Wates Homes (Warsash) Limited	Relocation and Inventory Services Limited
Wates (Hungerford) Limited	SES (Engineering Services) Limited
Wates Interiors Limited	Stageselect Limited*
Wates Lancewood Estates Limited*	Third Wates Investments Limited
Wates 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, Bel City Gate Tower, 11th Floor, Al Wahda Street, PO Box 1596, Sharjah, United Arab Emirates
American Community School Landscaping	24.5%	
CFB Building	24.5%	
Qasr Al Hosn Fort	24.5%	
Qasr Al Hosn Fort and NCCC Main Contract Works	24.5%	
Linden Wates (St. Albans)	50.0%	Linden House, Linden Square, Harefield, Middlesex UB9 6TQ

Group Five Year Summary

	2015	2016	2017	2018	2019
	£m	£m	£m	£m	£m
Profit and loss account					
Group turnover (plus share of joint ventures' and associates' turnover)	1,272	1,532	1,622	1,601	1,634
Group turnover	1,207	1,442	1,530	1,501	1,548
Operating profit (excluding share of joint ventures' and associates' interest and tax)	31.5	37.3	38.5	39.0	39.0
Profit before taxation (and excluding share of joint ventures' and associates' tax)	30.3	35.5	35.7	35.9	36.2
Balance sheet					
Net assets	93.3	70.7	119.4	135.8	152.4

Locations

Head offices				
Wates Leatherhead Wates House Station Approach Leatherhead Surrey KT22 7SW Tel: 01372 861000	Needspace? Main Office Earlsfield Business Centre Earlsfield London SW18 4LT Tel: 0208 059 9538			
Regional offices				
Basingstoke 4th Floor Network House Basing View Basingstoke Hampshire RG21 4HG Tel: 01256 301750	Birmingham Wates House (Building 5) 11 Ridgeway Quinton Business Park Quinton Birmingham B32 1AF Tel: 0121 423 2323	Bristol 190 Aztec West Park Avenue Bristol BS32 4TP Tel: 01454 615561	Cambridge Blenheim House Cambridge Innovation Park Denny End Road Waterbeach Cambridge CB25 9QE Tel: 01223 627140	Cardiff Vision House, Oak Tree Court Mulberry Drive Cardiff Gate Business Park CF23 8RS Tel: 02922 406777
Castle Donington Unit 2a, Donington Court Pegasus Business Park Castle Donington DE74 2UZ Tel: 01332 308882	Durham Shannon House Mandale Business Park Belmont Durham DH1 1TH Tel: 0191 375 8180	Enfield 7th Floor Civic Centre Silver Street Enfield EN1 3XA Tel: 020 8804 7777	Leeds Paradigm, 1st Floor 3175 Century Way Thorpe Park Leeds LS15 8ZB Tel: 0113 397 5200	London 1st Floor 184–192 Drummond Street London NW1 3HP Tel: 0207 380 1800
Luton 1st Floor, Mulberry House Parkland Square 750 Capability Green Luton, Bedfordshire LU1 3LU Tel: 01582 400171	Manchester 4th Floor The Royals 353 Altrincham Road Sharston Manchester M22 4BJ Tel: 0161 946 8800	Warrington Building 1 Clearwater Lingley Mere Business Park Warrington Cheshire WA5 3UZ Tel: 01925 791100		
SES Engineering Services				
Birmingham The Podium Bank House 8 Cherry Street Birmingham B2 5AL Tel: 0121 616 4350	Manchester Ground Floor The Royals 353 Altrincham Road Sharston Manchester M22 4BJ Tel: 0161 945 5589	Glasgow Cadell House 27 Waterloo Street Glasgow G2 6BZ Tel: 0141 221 8800	London 1st Floor 184–192 Drummond Street London NW1 3HP Tel: 0207 380 1800	Bristol 190 Aztec West Park Avenue Bristol BS32 4TP Tel: 01454 627150
North Shields Centre for Advanced Industry Coble Dene Royal Quays North Shields NE29 6DE Tel: 0191 258 6627	Prism Offsite Manufacturing Facility 2300 Coventry Business Park Dolomite Avenue Coventry CV5 6UB Tel: 02475 098264	York Moorside Monks Cross Drive Huntington York YO32 9LB Tel: 01904 437340		

Head offices

Wates

Leatherhead

Wates House
Station Approach
Leatherhead
Surrey
KT22 7SW

Tel: 01372 861000

The Wates logo features the word "Wates" in a white, sans-serif font. To the right of the text is a stylized graphic element consisting of two overlapping, curved shapes in shades of blue and white, resembling a stylized 'W' or a wave.

