



OUR PEOPLE, OUR STORIES



2014 REVIEW

Above all, it's about people

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CHAIRMAN'S WELCOME



“THESE ACHIEVEMENTS
ARE TESTAMENT TO
THE QUALITY AND
COMMITMENT OF
OUR PEOPLE...”

I am pleased to introduce our 2014 business review and performance highlights. 2014 was a very significant, and exciting, year for the Wates Group.

We welcomed a new Chief Executive, Andrew Davies, we have invested over £30m in securing future growth for our business and we will continue to invest in 2015 and beyond.

As part of our long-term business development strategy, we welcomed over 400 new colleagues, including 130 people as a result of our acquisition of Midlands-based Purchase Group. Our investment in acquiring this highly reputable family owned maintenance provider brings significant growth opportunities for our responsive and planned maintenance business within the affordable housing sector in the Midlands and in the North.

As the markets emerged from the prolonged recession, our strategic focus meant that the Wates Group was well positioned to capitalise on the opportunities the emerging economic recovery afforded us.

Wates performed well, resulting in a Group turnover (including the Group's share of joint ventures' and associates' turnover) of £1.05bn; an increase of 12.8% on 2013. 2014 was also an exceptional year for work-winning; adding £0.6bn to our forward order book which now stands at £3.0bn.

These achievements are testament to the quality and commitment of our people, the strength of our relationships with our clients and delivery partners, our robust financial management, and the quality of our investment portfolio.

As the industry returns to growth, building upon these relationships and investments, and recruiting and retaining the best people to deliver our work are critical to our ambition to become a £2bn turnover organisation.

We continue to invest in our people, new systems, training, and employment. In 2014, in recognition of this, we were delighted to be awarded, once again, a Gold Investors in People. This is an Award which means a great deal to us as a business and as family shareholders.

It underpins our belief that 'Above all, it's about people'.

As a family-owned business that bears our name, our reputation is everything. The way we do business, the impact and legacy we leave in the communities in which we work, and how we use business as a force for good, are all reflected in our values of integrity, intelligence, performance, teamwork, and respect.

As we look forward, ensuring longevity through innovation and investment will remain our focus for continuous improvement and growth. We will continue to invest in, adapt to, and shape, market opportunities, and to build an evermore sustainable business.

Finally, on behalf of our shareholders, I thank our Board of Directors and all our employees for their on-going commitment to the Wates Group, and for their support in helping to shape our business for the future.

James Wates, CBE

“WHILST 2014 REMAINED CHALLENGING, OUR BUSINESSES PERFORMED WELL. GROUP TURNOVER WAS UP 12.8% ON 2013 AT £1.05BN AND WE RETURNED A £22.6M PROFIT.”

CHIEF EXECUTIVE'S REVIEW

2014 has been a challenging, yet rewarding, year for the Wates Group as the industry began its long-anticipated return to growth.

The economic recovery meant there were more work-winning opportunities and our solid and stable financial platform enabled us to make long-term strategic investment decisions.

Leading the business through 2014 and into 2015 and beyond, the priority is to ensure we have the right systems, processes, and people in place to ensure our long-term growth strategy is both achievable and sustainable; and that we gain full benefit from those strategic investments made in 2014 to position ourselves for the future.

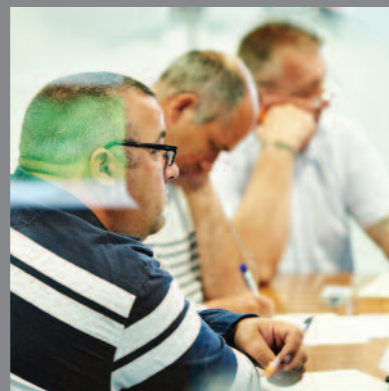
2014 – A YEAR OF GROWTH

Whilst 2014 remained challenging, our businesses performed well. Group turnover (including the Group's share of joint ventures' and associates' turnover) was up 12.8% on 2013 at £1.05bn and we achieved a £22.6m profit. Importantly our cash balances remained strong at £86.6m (2013: £103.1m) after investing over £30m in an acquisition, residential developments and the Needspace? business.

Despite the still demanding trading conditions, the consistency of our performance demonstrates our excellent capabilities, resilience, and delivery within our core sectors.



CHIEF EXECUTIVE'S REVIEW



INVESTING FOR GROWTH

In November 2014 the Wates Group completed the acquisition of the Purchase Group - a highly respected business which focuses on the provision of responsive and planned maintenance services to housing associations and local authority clients in the affordable housing sector. Through its 130-strong workforce, the Purchase Group brings the footprint and operational capability to grow our responsive and planned maintenance business in the Midlands, Wales and the North, within our property services sector.

We also continued our investment programme in Partnership Housing of £8m, capital employed increased by £17m in Wates Developments, and we invested £5m in our Needspace? business to boost the opportunities that the London managed-office rental market affords us. In addition, our stable financial position enables us to continue to invest in our people, systems and capabilities, including BIM.

In 2014 we were delighted to once again receive the Investors in People Gold accreditation in recognition of our learning and development programmes and HR practices. We also introduced an Operating Framework which sets out a consistent approach as to how we do business across the Wates Group. This Operating Framework provides clarity on policies, roles and responsibilities, shares best practice, and promotes our corporate culture and identity. Underpinned by our Code of Conduct and supported by our values and behaviours, the framework plays a pivotal role in our success in achieving our growth potential.



OUR JOURNEY TO ZERO-HARM

Keeping people safe from harm and providing a healthy and safe environment in which to deliver our work remains our number one priority. As we continue our focus and drive to zero-harm, 2014 saw a 35% improvement in our RIDDOR AFR to 0.115, with a 17% improvement in 1 day+ AFR to 0.204.

Our programme of continuous improvement includes a pro-active workforce engagement plan that focuses on educating and engaging our site operatives on safety and occupational health issues. In 2014, as part of our drive to address the wider health agenda, we launched 'Bin the Broom' - an industry-leading initiative that is having a positive impact on our sites, reducing airborne dust.

CHIEF EXECUTIVE'S REVIEW



OUTLOOK

As the markets return we have identified the right sectors for growth matched to our capabilities, and we have the right strategy to support this.

However, the upturn in the market is seeing demand outstripping capacity. As the supply chain recovers from the recession, we will continue to face the industry-wide challenge of skills shortages and supply chain capacity. The industry will remain challenging for contractors and we anticipate continuing pressures on margins as work-winning remains highly competitive.

Our strategy for 2015 and beyond is built around developing a sustainable business. We will remain highly selective as to what work we bid for to ensure realistic programs for our customers that meet safe, on-time and on-cost delivery and to ensure we can return a profit for our shareholders to sustain future investment for growth.

To deliver our strategy requires the best people, both within the industry and supporting professions. This is as much about working with the right delivery partners as it is in recruiting and retaining the best employees. Our sustainability programme supports education and employability and it will continue to play a pivotal role in encouraging and training talent to enter the construction industry.

BUILDING COMMUNITIES

Our corporate responsibility agenda prioritises the development of sustainable communities through employment, training and education.

Wates has a deep commitment to the communities in which we work, and our financial stability, family ownership and long-term commitment to the construction industry enable us to focus on making a tangible and positive difference to the environment and communities around us, now and for future generations.

In 2014 we partnered with The Prince's Trust to help disadvantaged young people find the skills and opportunities for employment. Through our employee volunteering schemes and Wates Giving our people gave many hours and £177,000 was donated to community and charitable causes, including supporting The Prince's Trust, in 2014.

2015 AND BEYOND

We have entered 2015 with a forward order book up 21% at £3.0bn which, coupled with our financial stability and strategy for growth, positions us well for future investment.

Our strategy for 2015 and beyond sets out a clear route to grow the Wates business and to make it a more resilient business in what continues to be a highly competitive market.

We will continue to focus on delivering excellence and underpin this with our commitment to, and engagement with, our Reshaping Tomorrow agenda, which is our framework for responsible business practice.

Andrew Davies
Chief Executive



2014 AT A GLANCE

OUR BUSINESSES

Our Construction business comprises Living Space, Construction and Smartspace, each providing construction and / or property services to a range of clients across a diverse market including education, retail, public sector, affordable housing, residential, industrial and commercial. In addition, our businesses include Developments with expertise in land, planning and joint venture developments, and Needspace? which provides flexible workspace for businesses.

CONSTRUCTION



Turnover
£492m

Wates Construction focuses on the design and build of buildings within the key areas of Government and public sector, education, and commercial. As much as 75% of its business is from repeat customers and, operating nationally through a network of strategically placed local offices, Wates Construction has delivered some of the UK's most notable buildings.

LIVING SPACE



Turnover
£391m

Wates Living Space builds, develops, refurbishes and maintains affordable and social housing throughout the UK. Through its New Build and Maintenance businesses, Wates Living Space works with its clients in local authorities, housing associations and social landlords to improve the quality of homes for tenants and to build sustainable, prosperous, local communities.

SMARTSPACE



Turnover
£102m

Wates Smartspace nationally delivers high quality fit-out, refurbishment, and maintenance solutions that are designed to maximise its clients' operating environments. Its clients include commercial (offices), retail, airports, developers, public sector, distribution centres, and banks.

DEVELOPMENTS



Turnover
£63m

Wates Developments is an expert in land, planning and joint ventures of residential developments throughout Southern England. Our commitment to the delivery of quality new homes makes us a strong and attractive purchaser or partner for both landowners and developers.

NEEDSPACE?



Turnover
£2m

Wates Needspace? provides flexible office space, studios and managed workspace for SMEs and growing businesses in locations in London and the South East.

BUSINESS PERFORMANCE

£1.05bn

GROUP TURNOVER*

2014	£1.05bn
2013	£0.93bn
2012	£1.19bn

* Includes share of joint ventures and associates' turnover

£22.6m

GROUP PROFIT BEFORE TAX

2014	£22.6m
2013	£22.3m
2012	£25.7m

£86.5m

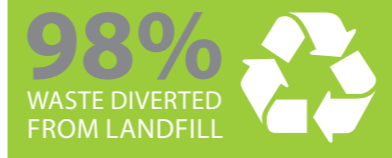
GROUP NET ASSETS

2014	£86.5m
2013	£79.1m
2012	£70.2m

£3.0bn

GROUP FORWARD ORDER BOOK

2014	£3.0bn
2013	£2.4bn
2012	£1.6bn



OVER £5m SPEND WITH SOCIAL ENTERPRISES



83 BUILDING FUTURES PROGRAMMES DELIVERED



38 PROJECTS
NOMINATED FOR
2015 CCS AWARDS
1000TH
CCS REGISTRATION

3 BITC AWARDS

GOLD INVESTORS IN PEOPLE FOR SECOND CONSECUTIVE TIME

SAFETY

Providing a healthy and safe environment in which to deliver our work remains our number one priority.



The health and safety of our people and the public is our number one priority. It is our licence to trade.

Our aim is to create a zero harm culture through a programme of continuous improvement that addresses behaviours and embeds best practice, we had a 35% improvement in our RIDDOR accident frequency rate in 2014.

We continue to invest in programmes and processes and our increased emphasis on occupational health is seeing such initiatives as 'Bin the Broom' significantly reducing harmful airborne dust on sites. Through a series of occupational health roadshows and campaigns our drive for a healthier workforce is an integral part of our journey to zero harm.

OUR PEOPLE

WE ARE PROUD OF OUR PEOPLE AND OF THE POSITIVE DIFFERENCE THEY MAKE TO OUR CUSTOMERS AND THE COMMUNITIES IN WHICH WE WORK



TO DELIVER OUR WORK REQUIRES THE BEST PEOPLE

Attracting new talent into the construction sector is a particular focus for Wates. In 2014 we recruited a further 37 trainees, who will receive a comprehensive suite of training and experience across our business to build their careers and position them to deliver against our business strategy. In addition, we continue to support the recruitment and development of apprentices through our dedicated Wates Apprenticeship Training Agency (WATA).

These investments, among others, have been recognised by our achievement of Investors in People Gold Status for the second consecutive time. This bears testament to how robust Wates' core values are and how well its culture of excellence has been maintained by everyone in the business. These deeply embedded values come to life in our Foundations Behaviours which provide the guiding principles for the way we work.

Our strong growth agenda, coupled with an increasingly competitive environment, places renewed emphasis on ensuring that all elements of what we offer our people are of the highest possible quality. The continuous improvement of our training and development, reward and benefits and succession planning provisions will ensure that we remain at the forefront of our peer group.

Above all, it's about people.

Our success is dependent on working with the best people.

We want to grow every part of our business and it is vital that we attract, develop and retain the best talent – not just within the industry but within the professions that support our business too.

Developing our people is crucial for growth and we continue to make a substantial investment in building skills for the future. In 2014 we addressed over 5,200 individual training needs and launched new initiatives to further enhance our leadership development, behavioural, safety, and specific technical skills training.



MAINTAINING A HIGHLY ENGAGED TEAM OF PEOPLE IS A SOURCE OF GREAT COMPETITIVE ADVANTAGE. MORE THAN THIS, IT IS AT THE HEART OF WATES VALUES.

ABOVE ALL, IT'S ABOUT PEOPLE.

CONSTRUCTION

Our construction business enjoyed strong growth in 2014 with a turnover of £494m.

Our focus is on delivering the promise – providing the best possible performance for customers on time, on budget, every time.

This has resulted in significant new business wins in 2014 including the £100 million Central Square development - an 11-storey office scheme in Leeds; and new work from the Education Funding Agency, which selected us to deliver the latest batch of state-funded priority schools in the London Boroughs of Barking, Dagenham and Newham. It is our fourth tranche of projects under the Government's flagship Priority School Building Programme.

Much of our success in the education sector is due to Adapt, our own standardised approach to designing schools. We recognise that while every school is unique, they generally have more similarities than differences.

Adapt allows for flexibility and variety in school design but also maximises the standardisation of layouts, design components and materials to reduce the time and cost of delivery without compromising on quality or functionality.

The construction sector is changing rapidly, and we continue to evolve our business to those changing market conditions. Our vision is to become the most trusted construction partner in the UK and our expertise in Building Information Modelling (BIM) means that we ensure high-quality, defect-free buildings are designed and built on time, safely and on budget. From the bid stage to handing over a building to a customer and beyond, BIM is changing the way our industry works. We have invested heavily in BIM providing significant gains for our customers and supply chain partners.

We are also deeply committed to the communities in which we work, providing employment and training opportunities and raising the aspirations of young people. In Cambridge, for example, where we are working on a number of projects, we have a three-year partnership with Impington Village College, where we are helping to prepare students for the world of work through practical workshops, mentoring sessions and site visits, thus giving students an insight into the inner workings of a construction project.



"WE ARE EXCITED TO BE WORKING WITH A LOCAL ORGANISATION THAT PROVIDES SUCH A RICH AND DIVERSE OPPORTUNITY FOR OUR STUDENTS."

Richard Spencer
Vice Principal, Impington
Village College

TAKING A LEAD ON THE PRIORITY SCHOOLS BUILDING PROGRAMME

The £8.25bn education sector is crucial to our business and accounts for around 40% of Wates Construction turnover. Under the Government's flagship £6bn Priority Schools Building Programme (PSBP) we have delivered a cluster of five schools in Coventry. This includes Whitmore Park Primary School, the first-ever school in the country to be rebuilt as part of PSBP. Design is a vital element in our successful projects and for this £5m new-build we used Adapt, our own standardised approach to designing schools. It is flexible but also removes the need for continuous design reinvention so that time and money is focused on the areas that matter the most - creating environments where children can grow and learn.

"THE OPENING OF WHITMORE PARK MARKS A MAJOR MILESTONE IN THE PRIORITY SCHOOL BUILDING PROGRAMME, WHICH IS MAKING GREAT STRIDES IN ENSURING THAT VITAL BUILDING WORK TAKES PLACE AT SOME OF THE SCHOOLS IN THE WORST STATE ACROSS THE COUNTRY. IT IS PROVIDING MUCH BETTER VALUE FOR MONEY THAN PREVIOUS SCHOOL BUILDING SCHEMES."

David Laws
Schools Minister



"THIS IS SUCH AN EXCITING AND REFRESHING PROJECT FOR EMPA, WATES AND ALL THE LOCAL CREATIVE BUSINESSES LOOKING TO PUT DOWN THEIR ROOTS IN NOTTINGHAM, OR TO EXPAND. WATES HAS BEEN GIVEN A FANTASTIC OPPORTUNITY TO TAKE THE LEAD ON THIS DEVELOPMENT, WHICH IS GUARANTEED TO FINISH ON TIME AND ON BUDGET DUE TO EMPA'S COMMITMENT TO LOCAL SUPPLY CHAINS."

Alan Coole Head of EMPA

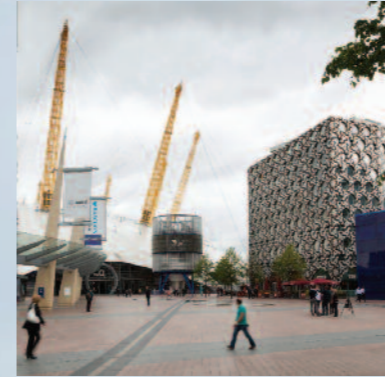
SNEINTON MARKET - A NEW CREATIVE HUB FOR NOTTINGHAM

Through our place on the £221m East Midlands Property Alliance (EMPA) framework, we are working on the redevelopment of Nottingham's Sneinton Market. This will establish a vibrant creative business community in the heart of the city. The project includes refurbishing the external façade, roofs and shop fronts and improving internal spaces to provide space for start-ups. As part of our commitment to the area, we are using the local supply chain and creating employment and training opportunities for local people.

CONSTRUCTION

REGENERATING THE GREENWICH PENINSULA

Greenwich Peninsula, just one tube stop from Canary Wharf, is one of the largest urban regeneration schemes in Europe. It will include commercial, retail and office space, and homes for 23,000 residents. We are working for Knight Dragon Developments, on the construction of three plots of over 500 apartments. An additional five apartment buildings are also currently under construction, with the first completion due in Summer 2015.



COMMERCIAL, RETAIL AND OFFICE SPACE,
AND HOMES FOR 23,000 RESIDENTS

“GREENWICH PENINSULA REPRESENTS A UNIQUE OPPORTUNITY TO REINVIGORATE THE AREA... CREATING THOUSANDS OF NEW JOBS, ENVIABLE NEW HOMES AND A THRIVING COMMUNITY WHERE PEOPLE WILL WANT TO LIVE.”

Richard Margree Chief Executive of Knight Dragon Developments



CONSTRUCTION



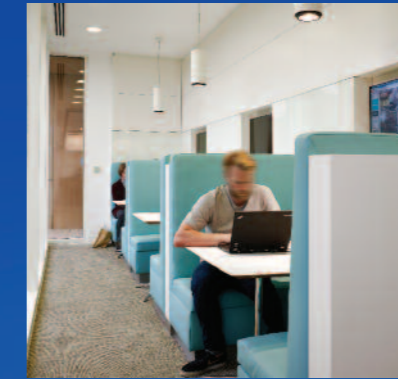
"THESE EXCITING FACILITIES WILL PROVIDE A WORLD-CLASS ENVIRONMENT TO DEVELOP AND DEMONSTRATE NEW TECHNOLOGIES AND MANUFACTURING PROCESSES ON AN INDUSTRIAL SCALE."

Dr Clive Hickman
MTC Chief Executive

ANSTY PARK, COVENTRY - WORLD-CLASS RESEARCH FACILITIES

Industry and universities are working together defining technology for the future at the Manufacturing Technology Centre (MTC) at Ansty Park in Coventry. This ground-breaking home for innovation is one of the largest public sector investments in manufacturing for decades. We are delivering a £30m Aerospace Research Centre where experts from the world's major aerospace companies will shape the industry. We are also working on MTC's £14m Advanced Manufacturing Training Centre. This will tackle the UK's skills shortage by training engineering apprentices.

In addition, we have worked on the development of the University of Birmingham's £13m High Temperature Research Centre, which will enable fast, flexible design and manufacturing research and development on a global scale. Business Information Modeling (BIM) was used extensively in the design process at Ansty Park to help the client understand the spatial elements in the project. It also helped cut costs by avoiding any abortive work and identifying early on, any issues that needed to be addressed.



FLAGSHIP SCHEME IN CAMBRIDGE

Cambridge city centre is undergoing major regeneration and as part of that programme we are developing a flagship office scheme, One The Square. We are also delivering the city's largest student accommodation development for a decade, as well as 21 Station Road, now home to Microsoft Research's new HQ, and 22 Station Road, a five-storey office complex. As part of our work, we have committed to boosting employment opportunities for local people across our projects. So far, nine Cambridge job seekers looking to kick-start a career in construction have taken part in our Building Futures programme to improve their skills.



CONSTRUCTION



£34M OFFICE REFURBISHMENT FOR LAND SECURITIES

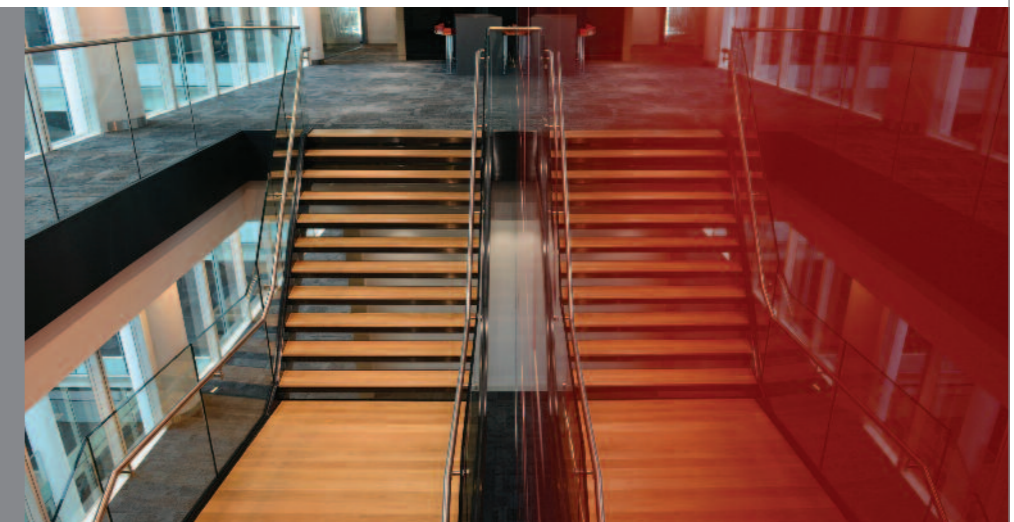
Following the successful completion of two adjacent projects, we are working on Land Securities' 20 Eastbourne Terrace redevelopment next to Paddington Station which is revitalising this area of west London. The project involves the extensive renovation of a 1950s 17-storey office building, one of the oldest office towers in London. It is due for completion in Spring 2016. All three projects were negotiated with Wates.



WORKING WITH OUR CLIENTS ON COMMUNITY INITIATIVES

During 2014 we completed the fit-out of new premises for international law firm Wragge Lawrence Graham & Co in Birmingham. Together with our client, we were involved in a number of community initiatives aimed at making a positive difference in the city. We boosted the local economy and employment by sub-contracting work packages worth £9.5 million to Birmingham-based small and medium enterprises. We also provided employment and training opportunities through 12 apprenticeship and work experience placements. And we supported vulnerable members of the community by volunteering 152 hours to refurbish the facilities of Birmingham-based charity SIFA Fireside, which tackles homelessness and alcohol abuse. As a result, we were jointly awarded the Responsible Business Award at the regional Business in The Community Awards 2014.

WE PROVIDED
EMPLOYMENT
AND TRAINING
OPPORTUNITIES
THROUGH 12
APPRENTICESHIP
AND WORK
EXPERIENCE
PLACEMENTS



"WE'RE THRILLED WITH OUR STUNNING NEW PREMISES AND THE LEVEL OF QUALITY WATES HAS DELIVERED ON OUR BEHALF. ITS IMPRESSIVE, COMFORTABLE SURROUNDINGS OFFERS BEST-IN-CLASS SUPPORT FOR OUR HARD-WORKING PEOPLE."

David Fennell
Chief Executive of Wragge Lawrence Graham & Co.



CONSTRUCTION

WATES LIVING SPACE

Wates Living Space is one of the UK's leading affordable housing and maintenance providers.

Spanning the construction and property services sectors, we are strategically positioned to deliver a broad range of solutions for local authority and housing association partners, supporting the regeneration of disadvantaged communities and improving the standard of living for residents.

The underlying foundation of the Wates Living Space business is to build more and better homes. This includes developing much needed housing for affordable rent and sale, in addition to renewing existing housing stock through planned and responsive maintenance programmes.

As a leading public sector house-builder, Wates Living Space delivered over 700 new homes across the UK in 2014. Two significant milestones were the completion and handover of Kirklees PFI, and the award of the £57m Hull PFI contract to build three new extra care units for Hull City Council.

Wates Living Space is also the delivery partner for Matrix Homes on its pioneering £27m Housing Infrastructure Scheme for Manchester City Council which includes the construction of much needed new homes for rent and sale. All of these units are from the Wates Assured Homes range; a set of standard house types developed by Wates that offers customers the best housing value across all tenures.

Wates Living Space is expanding in new directions by entering into development partnerships with its clients, investing alongside them in mixed tenure schemes that include an element of homes for private sale. Sales have already been completed at Erith Park and Drakes Place (see over).

KIRKLEES PFI – EXCELLENT HOMES FOR LIFE

In 2014, we completed the delivery of 466 high quality new homes across 27 individual sites for Kirklees Council. This £69m project comprised 326 one and two-bedroom apartments including 35 homes designed for wheelchair users and 140 homes for older people, including some with dementia. We value our connection to the communities for which we build and introduced innovative ways in which we could have a positive impact. We created 313 local employment opportunities and 49 apprentices were supported during the contract. In addition, 12 young people were engaged through the Prince's Trust's 'Get into Construction' programme and £34,100 worth of staff time was donated to supporting local community initiatives.



"THE COUNCIL WORKS VERY CLOSELY WITH ITS CONTRACTORS ASKING THAT THEY GIVE 'ADDED VALUE' FOR THE PRIVILEGE OF WORKING WITH US. WATES IS A SUPERB EXAMPLE, TAKING UP OUR CHALLENGES AND THIS SCHEME IS A PERFECT ILLUSTRATION OF THE PARTNERSHIP WE HAVE - LOCAL PEOPLE BENEFITING BY LEARNING NEW SKILLS AND RECEIVING NEW QUALIFICATIONS."

Barbara Brownlee
Thurrock Council's Director of Housing



"FOR MANY YOUNG PEOPLE THE DECISION OF WHAT TO DO AFTER LEAVING EDUCATION CAN BE AN OVERWHELMING AND DAUNTING PROSPECT. HOWEVER, IT'S CAREERS EVENTS LIKE THESE THAT PUT THEIR OPTIONS IN FOCUS AND SHOW THEM THAT THERE IS MORE THAN ONE ROUTE INTO EMPLOYMENT."

Councillor Sue Murphy
Deputy Leader of Manchester City Council

DELIVERING AFFORDABLE HOMES IN MANCHESTER



Under an innovative financial arrangement between the City Council, the Homes and Communities Agency and Greater Manchester Pension Fund, we are developing 240 homes across five sites in Manchester. This scheme - the first of its type in the UK - is being developed with extensive use of Building Information Management (BIM), enabling total design efficiency and market leading build quality.

The first homes have now been completed and all five sites will be delivered in 2015. The project has also delivered real social value creating jobs and training opportunities for local people and boosting the economy through our use of the local supply chain. In addition, over 2,000 school students have been supported by our bespoke education initiatives and careers events in partnership with Business in the Community.

CREATING A POSITIVE LEGACY

A core value of the Wates Living Space business is respect for people and communities.

We understand that the work our employees and supply chain partners deliver has a deeper and longer-lasting impact than simply improving the built environment. It has the potential to leave a lasting legacy on the whole community and transform the way residents feel about the neighbourhoods where they live and work. This is also a key focus for our housing association and local authority customers. In support of this, and as part of Wates Living Space's commitment to leading the industry around the wider social agenda of building more and better homes, in 2014 we co-commissioned the largest and most comprehensive piece of thought leadership research into unlocking social value. Please see our 'Communities Count' profile on page 24.

CONSTRUCTION



FIVE HUNDRED AND FIFTY NEW HOMES FOR AFFORDABLE RENT, PRIVATE SALE AND LOW COST HOME OWNERSHIP

THE REGENERATION OF ERITH PARK

Wates Living Space, in partnership with Orbit Group, has completed phase one of the £120m regeneration of Erith Park in the London Borough of Bexley. We have replaced seven high-rise blocks on the former Lerner Road Estate with 550 new homes for affordable rent, private sale and low cost home ownership. The development will transform this previously run down area. Using innovative design, we have delivered a much safer environment, with no hidden spots for anti-social behaviour, creating a place where people really want to live. We are now working on phase two of the development.



DRAKES PLACE - BUILDING NEW HOMES THROUGH INNOVATIVE FINANCING

Drakes Place is the transformation of a long-vacant brownfield site, on the outskirts of Aylesbury, into a high quality, energy efficient residential development. This £9m joint venture between Wates Living Space and the Homes and Communities Agency (HCA) had its first completions in March 2015 and is providing much-needed housing for the local community - 49 homes are for private sale, 20 homes are for affordable rent and six are for shared ownership. As part of our commitment to the local community we appointed a number of site-based apprentices through Wates and our supply chain and provided construction skills work placements for students at Aylesbury College.



PROPERTY SERVICES

WATES LIVING SPACE

As a leading national provider of maintenance, refurbishment and energy-retrofit services, Wates Living Space's maintenance activities grew strongly again in 2014.

We now deliver responsive and planned maintenance at over 500,000 properties, with coverage spanning all corners of the UK. In 2014 this included key projects for Charnwood Borough Council on a five year improvement works contract covering nearly 1,000 homes, East Durham Homes as part of the £27m Strategic Partnering Agreement to bring 1,700 homes up to the Decent Homes Standard, and City West Homes delivering day-to-day reactive repairs and maintenance to 22,000 properties throughout the Borough of Westminster.

Responsive and planned maintenance is an increasingly important part of the Wates Living Space business, accounting for two thirds of its turnover. In 2014, responsive maintenance grew by 28% and planned maintenance by 32%. Our proven capability to deliver both responsive and planned maintenance programmes means that we can offer customers a total outsourcing solution for all their maintenance requirements.

Wates Living Space's £150m ten-year contract with Brent Housing Partnership is an excellent example of a long term programme of integrated responsive and planned maintenance. Working in partnership with Brent, we are leading a step change in the delivery of traditional reactive and planned maintenance programmes.

COMMUNITIES COUNT

Through creating and improving homes, we ensure that we deliver the most benefit to people, their communities and society as a whole. In 2014, Wates Living Space, together with Social Enterprise UK, PWC, Orbit Group and the Chartered Institute of Housing, conducted the most comprehensive piece of research into the Public Services (Social Value) Act to understand how Housing Associations and Local Authorities are seeking to create social value. The report 'Communities Count' found that over 50% of respondents believe social value can deliver cost savings and over 90% see social enterprise as a routeway to unlocking social value. The research also identified four steps that organisations can follow in order to maximise the social value they create – **Define: Integrate: Partner: Measure.**

Following on from the launch a range of tools, including procurement guidance for commissioners, proportionality standards and best practice, have been developed.

"THE FINDINGS IN THIS REPORT CLEARLY DEMONSTRATE THAT INTEGRATING SOCIAL VALUE CAN BRING A WIDE RANGE OF BENEFITS TO LOCAL AUTHORITIES AND HOUSING ASSOCIATIONS AND THE COMMUNITIES IN WHICH THEY OPERATE."

Peter Holbrook
Chief Executive of Social Enterprise UK



Social Enterprise project supported by Wates: CleanStart, Trafford.



THE PURCHASE GROUP – BUILDING OUR MAINTENANCE BUSINESS

In November 2014, Wates Living Space expanded its responsive maintenance capability into the Midlands, Wales, and North West through the acquisition of family-owned Purchase Group. This follows the successful integration of Linbrook Services in 2011 which has put the business at the forefront of the UK's affordable housing market and enabled Wates Living Space to offer a full range of services.

Purchase, like Wates, has strong shared values of integrity, performance and respect. Our collective reputation gives us a strong foundation upon which to grow our market share in the affordable housing sector.



"THIS IS AN EXCITING AND POSITIVE STEP FORWARD FOR OUR BUSINESS AND OUR PEOPLE, PROVIDING US WITH THE INVESTMENT AND SUPPORT OF A HIGHLY RESPECTED INDUSTRY PLAYER, WHICH WILL FACILITATE FUTURE GROWTH WITHIN THE MARKET. TOGETHER WE CAN OFFER A COMPELLING PROPOSITION TO CLIENTS AND CUSTOMERS IN THE MIDLANDS, WALES AND THE NORTH, FOR THEIR FULL RANGE OF MAINTENANCE NEEDS."

David Purchase
Managing Director of the Purchase Group

PROPERTY SERVICES

"WE WORKED CLOSELY WITH OUR RESIDENTS TO APPOINT WATES FOR THIS TEN YEAR CONTRACT AND ARE CONFIDENT THEY ARE A GREAT PARTNER TO HELP US MAKE A DIFFERENCE IN BRENT – INVESTING IN LOCAL HOMES AND COMMUNITIES AND MAKING A POSITIVE CHANGE TOGETHER."

Tom Bremner
Managing Director of BHP



BRENT HOUSING PARTNERSHIP – REDUCING RESPONSIVE MAINTENANCE COSTS

Wates Living Space has a flagship £15m a year Partnership contract with Brent Housing Partnership (BHP) to deliver all responsive and planned repairs and maintenance to its housing stock for up to ten years.

To deliver this flagship contract, which reduces responsive maintenance costs by £1 million a year, we have worked

with our partners Travis Perkins (TP) and created a co-location space incorporating our planned and responsive maintenance operations together with integrated TP stores.

As part of our commitment to the communities in which we work, we provide time and financial support to BHP's National Skills Academy and we

will be offering 100 apprenticeships and 60 work placements for unemployed local people. We are also engaging with Brent schools on a number of programmes including an anti-bullying scheme. In December 2014, BHP and its Residents Committee awarded us with the 'Most Helpful Contractor 2014' in recognition of our work with the community.

WORKING IN PARTNERSHIP WITH WOLVERHAMPTON HOMES

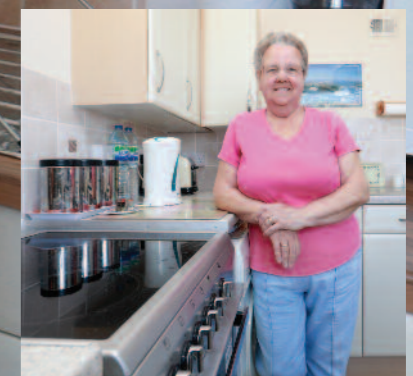
We are working with Wolverhampton Homes – which manages over 23,000 properties on behalf of Wolverhampton City Council – on a £104m 15-year planned maintenance programme. This includes delivering energy improvement work for thousands of homes across the city.

As part of the project, we are using over 30 local suppliers to increase employment and boost the local economy. We are also providing apprenticeships for seven local young people in a range of skills including carpentry, painting and decorating and plastering. Working on site four days a week, the apprentices study on day release at Wolverhampton College for Level 1 City & Guilds qualifications.



"WATES IS VERY ENJOYABLE TO WORK FOR, I AM THOROUGHLY ENJOYING LEARNING NEW ASPECTS OF CARPENTRY AND GETTING TO KNOW THE SITE TEAM."

Scott Hale, Apprentice Carpenter



"I HAVE NOTICED A BIG IMPROVEMENT IN HOW WARM MY FLAT IS SINCE THE BUILDING HAS BEEN INSULATED. THE LADS ON SITE HAVE BEEN VERY POLITE AND HELPFUL."

Wolverhampton Homes resident

PROPERTY SERVICES

WE DELIVERED PROJECTS
NATIONWIDE ACROSS
MORE THAN 1,500 SITES
– OUTPERFORMING ALL
OUR TARGETS



SMARTSPACE

Our recently renamed Smartspace business delivers smart solutions for our clients.

We help our clients to create spaces that get the most out of their property, help them better serve the public, create efficiency behind the scenes, and grow.

We work with a range of clients across the UK including Amex, TSB, the Home Office, Ministry of Justice, the Co-op, Royal Mail and retail landlords, Hammerson, British Land and Land Securities, often in highly challenging situations in terms of space, risk and security, delivering projects on time, on budget and with minimal disruption.

Our experience of working in secure and live environments where trading has to continue and where safety is paramount, has ensured that we continue to win business in a tough market. Our turnover in 2014 was in excess of £100m and we delivered projects across more than 1,500 sites – outperforming all our targets.

We have identified new market sectors, successfully expanding our business from our traditional sectors of interiors and retail to also include airports, distributors, developers, the public sector and national frameworks.

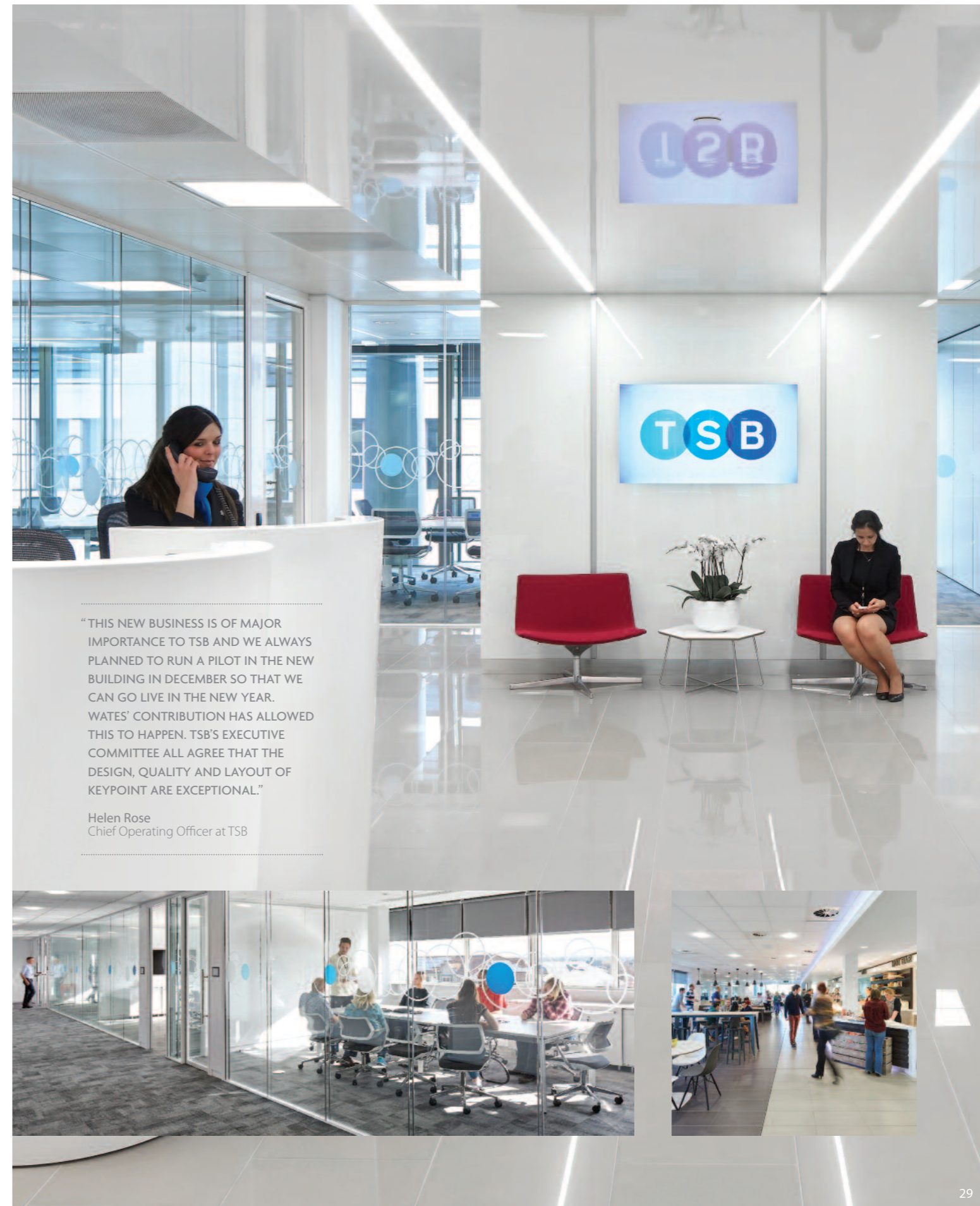
Wates Smartspace has emerged from the recession a stronger and profitable business with great opportunities for growth.

TSB – THE BIRTH OF A NEW BANK

When TSB separated from Lloyds under EU competition rules, we supported the property team in its readiness activities across its portfolio. We delivered the new head office at Gresham Street in the City of London creating space-efficient new offices, meeting rooms and team working areas as well as a club area where staff can spend their breaks in a relaxed environment. Working closely with TSB, the £4m project was delivered in just 16 weeks.

TSB asked us to work on the rebranding of 64 former Lloyds and Cheltenham & Gloucester retail branches across the UK. The work included redecoration, new flooring, new cash desks, customer welcome areas, interview rooms and queuing systems. We were also involved in pre-construction works to include planning applications for 12 branches where accessibility was an issue.

The most recent piece of work for the bank was the fit-out of a major new office, the Keypoint Building in Bristol. Home to a number of relocating teams including the Bank's new mortgage intermediaries business, the building has the capacity to house up to 450 TSB Partners. This was a time-critical project with a number of changes throughout the programme, as well as an opportunity to offer extensive value engineering options such as alternative fixtures and fittings that provided a high quality finish at a lower cost.



PROPERTY SERVICES



American Express

CEMENTING OUR LONG RELATIONSHIP WITH AMERICAN EXPRESS

We have worked with American Express for over 10 years on over 40 projects. Having completed the fit-out of its European headquarters in Brighton in 2011 we were delighted to be selected to refurbish its new office in Burgess Hill. We are converting the courtyard of this four storey 1980s building into a vibrant new atrium increasing the usable space of the building by 20%. We are following a very stringent handover journey through our Delivering the Promise process which will improve ongoing operational performance for years to come.

"I'VE SEEN OTHER CONTRACTORS RUN HANDOVER PROCESSES WHICH TURN INTO A TICK BOX EXERCISE. WATES' 'DELIVERING THE PROMISE' IS MORE THAN THAT. IT HAS TRULY BROUGHT OVER 50 SEPARATE INDIVIDUALS AND BUSINESSES TOGETHER AS ONE TEAM FOCUSED ON DELIVERING AN EXCEPTIONAL HANDOVER."

Neil Clifton
CBRE Programme Manager for Amex

American Express



SIGNED, SEALED, DELIVERED - ROYAL MAIL'S PARCELFORCE DISTRIBUTION CENTRES

In 2013, Royal Mail, faced with challenges emerging from the privatisation process, asked us to improve and expand ten distribution centres across the UK to enable it to handle 30% more parcels a year. Following the success of these projects we have delivered further projects at Royal Mail Sutton Coldfield and Royal Mail Chester, and we have been appointed to five other Royal Mail sites. During 2014, Royal Mail invited all framework partners to tender for the Infrastructure Strategy, involving an extensive upgrade and modernisation of its nationwide estate. Based on our previous work and by working collaboratively with our supply chain to offer a competitive price, we were appointed sole contractor for the Tender Package One in the North, involving works to major facilities in Birmingham, Tyneside, Chelmsford and Aberdeen.



"WATES' DELIVERY OF OUR DISTRIBUTION CENTRES WAS AN UNQUALIFIED SUCCESS: THE PROCUREMENT AND CONSTRUCTION TIMES WERE MUCH QUICKER THAN A STANDARD APPROACH AND THE FIT-OUT COSTS WERE BELOW ROYAL MAIL'S STANDARD BENCHMARK COSTS. IN ADDITION, EVERYTHING WAS DELIVERED TO TIME ENABLING THE BUSINESS BENEFITS TO BE REALISED AS PLANNED."

Jon Howard
Programme Manager, Parcelforce
Worldwide and RM International



MEADOWHALL – A COMPLEX LIVE ENVIRONMENT

Our first project for retail landlord British Land was the refurbishment of its Park Lane shopping mall in the Meadowhall shopping centre in Sheffield. The project involved the complete redecoration of the mall, remodelling the original lighting and the installation of a sophisticated roof glazing colourwash system. This was carried out over 20 weeks working nights in a live environment. The centre management reported that they hadn't received a single complaint from the shop tenants throughout the project, which is testament to the professionalism of our team.



PROPERTY SERVICES

MAKING A DIFFERENCE TO THE LIVES OF PEOPLE WITH ALZHEIMER'S

In partnership with our clients Lloyds, we were involved in the internal refurbishment and creation of an accessible garden at the Princess of Wales Centre in Sunderland for the Alzheimer's Society. As part of our commitment to the communities in which we work, 120 volunteers and specialists from Wates took part in the project to rejuvenate the centre, giving it a fresh modern look and a secure garden.



"I HOPE YOU'VE GOT A REAL UNDERSTANDING OF THE LEVEL OF APPRECIATION, THANKS AND WARMTH PEOPLE FEEL TOWARDS WATES AND EVERYONE INVOLVED, ABOUT THE LEVEL OF PLANNING, ATTENTION TO DETAIL, THE COMMITMENT AND SHEER HARD WORK THAT HAS BEEN APPLIED TO TRANSFORMING THE PRINCESS OF WALES CENTRE."

Hazel Cuthbertson
Regional Operations Manager -
North East Alzheimer's Society

THE CO-OP - A NEW WAY OF WORKING

Wates Smartspace, in partnership with Turner & Townsend, is the sole delivery partner providing programme management, project management, procurement and delivery on the Co-operative Group's Non-refit Capital Programme Framework.

The current contract is valued at £20m and there is also room for further growth in store fit-out and compliance.

We are involved in a range of refurbishment work including asbestos removal, fire and safety reviews and the installation of CCTV often in challenging Victorian and Edwardian buildings.



PROPERTY DEVELOPMENT

DEVELOPMENTS

Wates Developments performed very strongly in 2014 with continued investment in the team, land, planning and house builder joint ventures despite a difficult environment for the residential development industry.

The business delivered exceptional results, producing a pre-tax profit of £10.9m, generated from a turnover (including share of joint ventures) of £63m. Further significant investments in new land (without planning) were made to increase the scale of our portfolio and future pipeline of planning consents. We now have 2,558 acres under control with 3,419 new homes included in emerging local plans.

2014 was characterised by a number of significant planning successes. Our house building joint ventures with a number of the country's leading house builders continued to go from strength to strength. Through nine active joint ventures, 291 new homes were sold resulting in 8.4% growth in profit year-on-year with an average selling price of £447,000.



We successfully launched the Heathwood Park development at Lindfield, an exclusive development at Swallowhurst, Cranleigh, Surrey and bought forward a major scheme, Wilshire Park, at The Frythe in Welwyn, Hertfordshire for 194 new homes in partnership with Linden Homes. New development acquisitions were also made in Battersea and Ravenscourt, increasing our exposure to the London market.



“OVER A NUMBER OF YEARS WE HAVE BUILT UP A STRONG, TRUSTED AND SUCCESSFUL PARTNERSHIP WITH WATES DEVELOPMENTS, BRINGING TOGETHER OUR COMPLEMENTARY SKILLS ON A RANGE OF SUCCESSFUL RESIDENTIAL PROJECTS. WE ARE NOW LOOKING FORWARD TO OUR LATEST JOINT VENTURE AT KENNEL FARM, BASINGSTOKE, WHERE WE WILL BRING FORWARD 300 NEW HOMES AT THIS FLAGSHIP DEVELOPMENT.”

Brendon O'Neill
Managing Director,
Linden Homes Southern



KENNEL FARM, BASINGSTOKE

We acquired this 30-acre Greenfield site in Basingstoke and won planning permission on appeal. In partnership with Linden Homes we will build 300 homes, 40% of which will be affordable. The development will be a mixture of two, three, four and five bedroom homes and the first sales will begin in 2016. As part of the project we will be creating green spaces, protecting local woodland and improving roads.

“WATES IMPRESSIVE PLANNING EXPERTISE HELPED IN ACHIEVING A SUCCESSFUL CONCLUSION TO THE PROJECT. ITS TEAM COMBINED EFFICIENCY WITH INTEGRITY, MAKING FOR AN EXCELLENT BUSINESS RELATIONSHIP.”

The Saunders Family
Landowners at Kennel Farm,
Basingstoke



PROPERTY DEVELOPMENT

DEVELOPMENTS



EXPANDING OUR PORTFOLIO IN LONDON

In partnership with Linden Homes, we have acquired the old Battersea Police Station in south west London. We are redeveloping the building into a mixture of 49 affordable and private apartments.

The attractive Victorian building which fronts onto Battersea Bridge Road, will be retained and converted and a modern and complimentary extension will be created to the rear. Work is due to be completed in the summer of 2016 and will increase Wates presence in the London housing market.



NEEDSPACE?

Needspace? – space to grow for small businesses.

Needspace? performed strongly in 2014 as demand from small businesses for flexible and affordable space continued to grow. Average occupancy across the portfolio stood at 85% and three of our four operational centres are currently running at over 90%. The business also benefited from excellent rental growth of 8.8% which saw turnover in excess of £2m for the first time. An increase of 12%.

We serve 130 small businesses across London and the South East in entrepreneurial communities where they can network, thrive and support each other. Our customers vary from financial services to gym instructors and everything in between.

The highlight of the year was our acquisition of St. Mark's Studios in Islington, north London which will provide 30 brand new business units for local SMEs.



NEEDSPACE? MAKES ITS MARK IN ISLINGTON

Needspace? has expanded its London portfolio with the purchase of St Mark's studios housed in an impressive former Grade II listed church of 15,000 sq. ft. in north London. The building has undergone substantial refurbishment with a striking combination of art deco and contemporary styling and will offer small businesses high quality office space in a great location close to two tube stations and links to the City, West End and Tech City.



ABSOLUTELY CUCKOO FINDS A NEW NEST IN EARLSFIELD

With a new commission from the BBC, animation studio Absolutely Cuckoo needed more staff and more space so it moved into our Earlsfield Business Centre.

“BUDGETS ARE TIGHT WHEN YOU'RE IN PRODUCTION, SO AFFORDABILITY WAS A KEY FACTOR. WE HAVE REALLY SETTLED IN TO OUR LOVELY NEW STUDIO. THE FACT THAT NEEDSPACE? TAKES CARE OF EVERYTHING LIKE THE RATES IS ALSO REALLY HELPFUL – WE CAN JUST FOCUS ON OUR WORK.”

Dan Good
Absolutely Cuckoo co-founder

DESIGN

Project: Woodgreen MET BBCC Police Station
Co-ordination in Revit by Wates Engineering
ARCH model: Wates Engineering
STRUCT model: Wates Engineering
MEP model: Anderson Green

DESIGN AT WATES

Design and construction are closely linked and are an integral part of our business. We recognise the value of design across our work and that it is a crucial element in delivering successful projects.

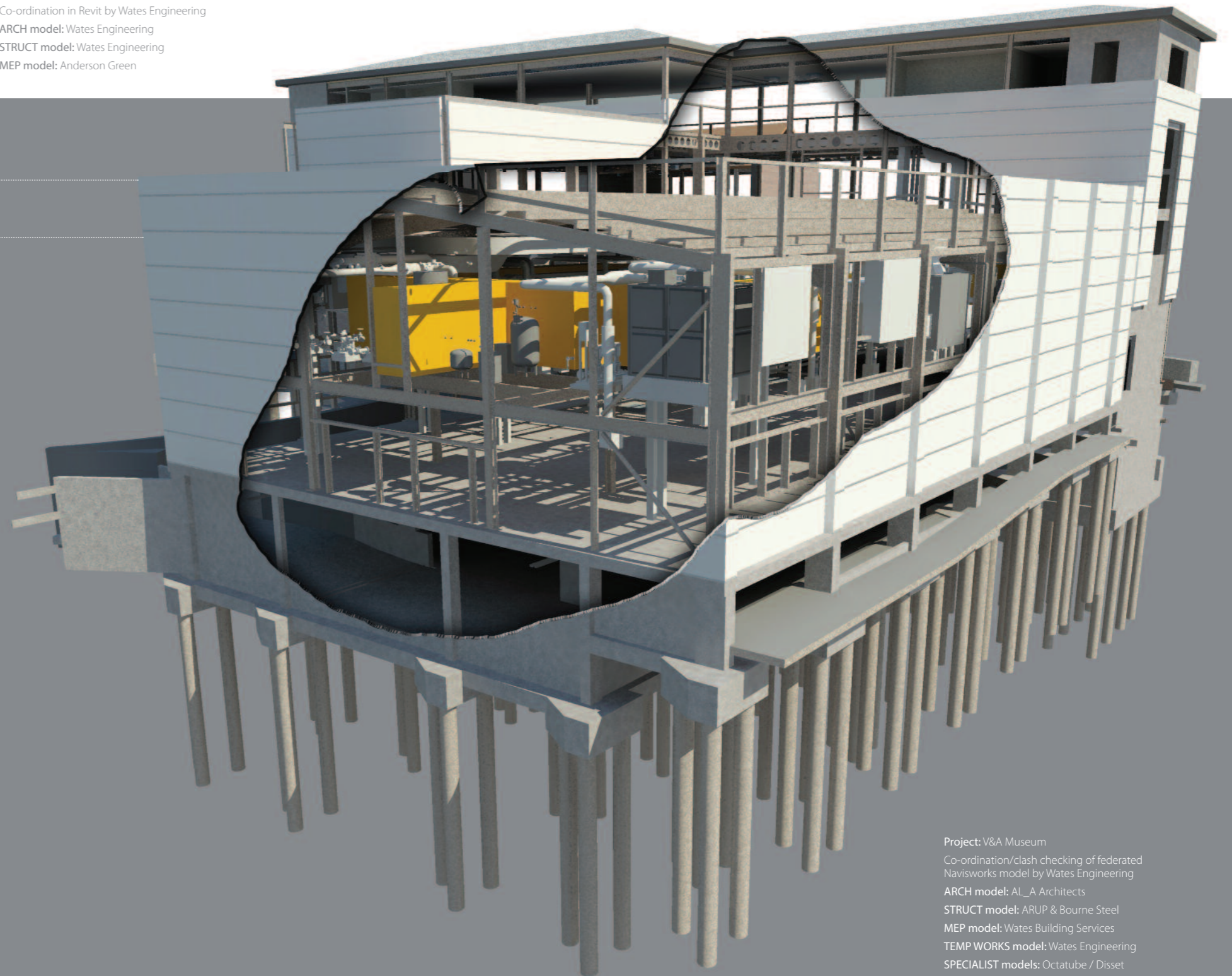
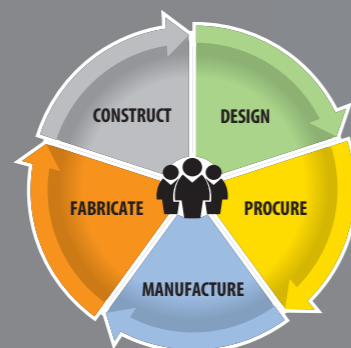
We are now focusing on integrating our skills in construction and design to help bring the vision of the designers we work with, to life. This will enable us to become involved in and influence design on projects at a point when they create greatest value for our clients and for us. It also eliminates risk, improves the quality of our projects and realises our clients expectations.

In 2014, the recruitment of Andrew Barraclough, formerly a director at architectural firm HOK, as Group Design Director, enables us to create a strong design management function which will draw design and construction seamlessly together. Our significant investment in Building Information Modelling gives us a digital simulation of how a building will be delivered and how it will operate. It reduces risks, errors, unforeseen costs and delays and is changing the way we work.

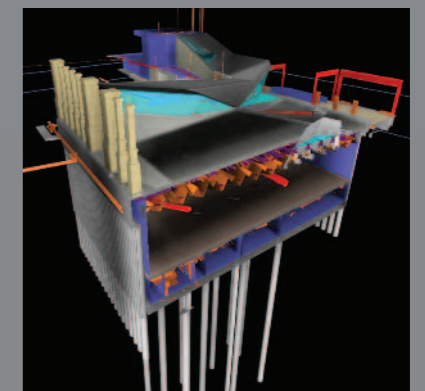
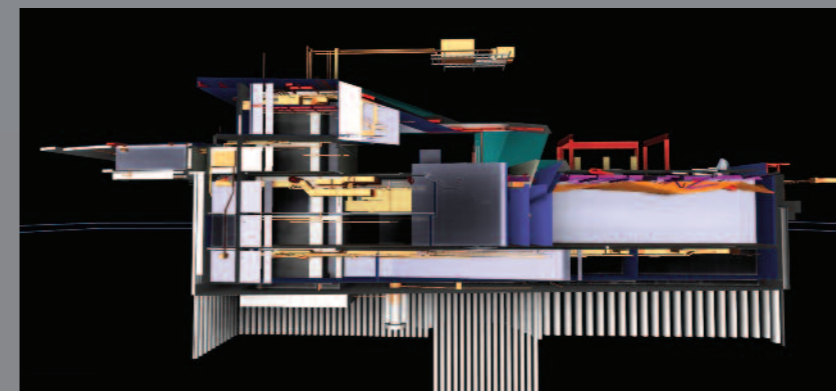
As design and construct integrators we will become engaged earlier in the process enabling us to influence design solutions at a time when they create greatest value for all the project participants.

We will:

- ✓ Develop a better understanding of the base design
- ✓ Be seen as a facilitator of the designers vision
- ✓ Eliminate the risk
- ✓ Be in a better position to deliver with maximum efficiency
- ✓ Realise our clients expectations
- ✓ Improve the quality of the product
- ✓ Enhance our reputation
- ✓ Deliver increased revenues with improved margins



Project: V&A Museum
Co-ordination/clash checking of federated Navisworks model by Wates Engineering
ARCH model: AL_A Architects
STRUCT model: ARUP & Bourne Steel
MEP model: Wates Building Services
TEMP WORKS model: Wates Engineering
SPECIALIST models: Octatube / Dissot



CORPORATE RESPONSIBILITY

RESHAPING TOMORROW

We are deeply committed to ensuring that our business growth goes hand in hand with responsible business practices – it's embedded in everything we do.

Our Reshaping Tomorrow framework sets out the priorities to drive the change that is needed to deliver sustainable buildings and flourishing communities. We continued to work closely with our colleagues, customers, partners and suppliers and during 2014 that commitment was recognised through a number of external awards.

Reshaping Tomorrow is a vision that will guide Wates to 2020 and beyond and builds upon our core values of performance, intelligence, teamwork, integrity and, in particular, respect for people and communities. It prioritises those areas where we can make the most difference. These are:

- Ensuring a zero harm culture across everything that we do
- Creating a positive impact on the environment through our work
- Working in partnership with communities to enable them to prosper
- Having the right people with the right skills and behaviours regardless of their background
- Influencing sustainable building design to ensure we continue to meet future UK challenges.

ENGAGING OUR SUPPLY CHAIN ON SUSTAINABILITY

We want to ensure that every person and company working on our projects has the right skills and knowledge of sustainability to achieve our goals and meet the industry challenges. The Supply Chain Sustainability School is one way we are building that knowledge. The School provides a free virtual learning centre and structured training environment across a range of sustainability issues. Wates has been a partner of the school for two years and during 2014 we continued our support for the school by hosting a series of supplier events. The events have been funded through Wates Giving, the charitable arm of the Wates family. Over 175 individuals from our key supply chain partners attended these events and over 1,000 companies supplying Wates are now members of the school. Our supplier dashboards enable us to identify those issues where our suppliers need further support and guidance.



"SINCE JOINING THE SUPPLY CHAIN SUSTAINABILITY SCHOOL IN 2013, WATES HAS BEEN AN ENTHUSIASTIC PARTNER SITTING ON THE LEADERSHIP GROUP AND HELPING TO STEER THE FUTURE DIRECTION OF THE SCHOOL. IN ADDITION WATES HAS SET CHALLENGING TARGETS FOR ENGAGING ITS SUPPLY CHAIN AND BUILDING THE SUSTAINABILITY SKILLS OF ITS SUPPLIERS. THIS WILL PRODUCE LASTING BENEFITS FOR BOTH WATES AND ITS CLIENTS."

Ian Heptonstall, Director, Supply Chain Sustainability School



"CCS IS CRUCIAL TO MAINTAINING WATES' PROFILE AND HOW WE ARE PERCEIVED BY LOCAL NEIGHBOURHOODS. IT IS IMPORTANT THAT WE ARE ALWAYS LOOKING FOR WAYS TO IMPROVE HOW WE COMMUNICATE AND HOW WE ARE SEEN ON SITE, CONTRIBUTING TO MAKING WATES A BETTER ENVIRONMENT IN WHICH TO WORK FOR SITE OPERATIVES."

John Howell, Group Production Director, Wates



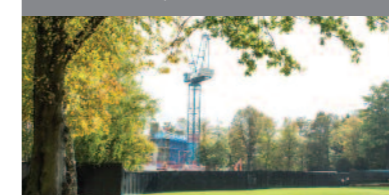
IMPROVING STANDARDS ON OUR SITES

We are committed to improving standards across our projects and are proud to be Associate Members of the Considerate Constructors Scheme (CCS). This code of practice is the industry benchmark and covers appearance, safety, community, workforce and environment, thus ensuring we are seen as "good neighbours" in the communities in which we work.

In 2014 we were recognised for our work in registering the 1,000th site for CCS. Our performance continues to exceed industry best practice with an average score in 2014 of 40.3 compared with an industry average of 35.6 (out of 50). In 2014, 37 of our projects also received CCS National Site Awards with our M&S Gosforth achieving the National Site Runner Up Award.

OUR BEST PERFORMING SITES, 2014

HIGHGATE JUNIOR SCHOOL



CCS SCORE **46/50**

BARNETT & BARLOW



CCS SCORE **45/50**

22 STATION ROAD, CAMBRIDGE



CCS SCORE **46/50**

M&S GOSFORTH



CCS SCORE **45/50**

GREENWICH PENINSULA



CCS SCORE **45/50**

CORPORATE RESPONSIBILITY

COMMUNITY

We want to leave a lasting legacy in the communities in which we work. Our commitment to these communities ranges from supporting and raising the aspirations of young people to building sustainable economies through our investment in SME's and Social Enterprises.

INVESTING IN LOCAL ECONOMIES

We believe that by working in partnership we can help local communities to prosper. Investing in small and medium sized enterprises - especially social enterprises - enables us to demonstrate our long term commitment to local economies, build a more resilient supply chain and provide a greater range of employment and training opportunities.

During 2014, we continued our focus on our investment in social enterprises. Social Enterprises – businesses that trade to tackle social problems, improve communities, or the environment – are thriving. There are currently about 70,000 such businesses in the UK, contributing £18.5bn to the economy, many of which employ people who are marginalized.

SOCIAL ENTERPRISE BROKERAGE

Wates is committed to building a more resilient and diverse supply chain, so we developed the Social Enterprise Brokerage (SEB), our online directory of approved social enterprise suppliers, in partnership with SEUK. An industry first, SEB profiles preferred suppliers who can provide goods and services to our business and the wider built environment. Our ambition is to work with at least one social enterprise on every Wates project.

To date we have traded over £5.5m with Social Enterprises creating many local training and employment opportunities. Our ambition is that by 2020 we will have traded over £20m with the sector.



WORKING WITH SOCIAL ENTERPRISES - SPOTLESS RECRUITMENT

Spotless Recruitment is a social enterprise recruitment agency which places surplus profits into a local community investment fund which is returned to clients, such as Wates, for use on community projects.

Spotless Recruitment has worked with Wates Living Space in south Wales for four years on a number of projects and provides well-vetted candidates who can cover positions at very short notice.

It is the first social enterprise to become a preferred supplier on Wates Labour Hire Desk.

"WATES WAS THE FIRST NATIONAL CLIENT TO ACCEPT SPOTLESS RECRUITMENT AS A SUPPLIER AND GRASP THE CONCEPT OF USING SOCIAL ENTERPRISE ON SITE. THIS HAS HELPED TO DRIVE THE BUSINESS FORWARD, CREATING TRAINING AND EMPLOYMENT OPPORTUNITIES FOR LONG TERM UNEMPLOYED PEOPLE."

Caroline Locke
Managing Director,
Spotless Recruitment



CORPORATE RESPONSIBILITY

COMMUNITY

RAISING ASPIRATIONS OF YOUNG PEOPLE - BUSINESS CLASS

Education is a key market sector for Wates. Going beyond creating environments in which young people can learn – we also focus on raising the aspirations of young people. We run a number of programmes to ensure that young people have the right skills for the world of work and to challenge their perceptions of the construction industry. Our efforts in raising aspirations are recognised both by our own industry and in the wider business world.

BUSINESS CLASS

We believe that the most effective way for business to support young people is to form long-term partnerships with schools. Our programme of school engagement is focused on Business Class – a programme developed by Business in the Community.

Business Class provides a systematic and proven framework for developing those partnerships, rooted in long-term, strategic support and collaborative action.

Wates has been a founder supporter of the Business Class programme since 2009 and has supported more than 5,000 students annually across nine partnerships.

Many of Wates' employees, supply chain and customers have given their time to help raise the aspirations of young people and break down the barriers to employment through employability workshops, mentoring and careers fairs.

We have also continued to invest in our own Wates Apprenticeship Training Agency (WATA) to develop the skills our industry needs for the future. Delivered in partnership with K10 and Your Futures, our flexible approach ensures apprentices have the right experience, skills and qualifications to progress into permanent employment.



BUSINESS ADMINISTRATION APPRENTICE – JAMIE-LEIGH BARKER

Jamie-Leigh lives in East Hull and started her career as a hairdresser. Having decided it wasn't the career path she wanted to pursue, Jamie-Leigh joined the Wates Hull PFI Team through Futureworks as an NVQ Level 3 Business Administration Apprentice. Jamie is keen to pursue a career with Wates gaining experience of the construction industry as her long term goal is to eventually become a Site Supervisor or Site Manager.

"I REALLY ENJOY WORKING IN THE CONSTRUCTION INDUSTRY. IT IS GREAT WORKING FOR WATES AS AN APPRENTICE, AS NOT ONLY CAN I IMPROVE AND GAIN MORE SKILLS AND EXPERIENCE WITHIN THE CONSTRUCTION INDUSTRY BUT I AM ALSO GETTING PAID!"

Jamie-Leigh Barker



400 MANCHESTER PUPILS TAKE PART IN CAREER EVENT

Four hundred pupils attended the 'A World Away' events. They interacted with a variety of business professionals from industry and had an opportunity to develop team-working skills whilst being inspired to follow a career path once they leave school. The 'A World Away' event provided opportunities for pupils to understand different roles through informal roundtable discussions. They also took part in a team building project. As a result 87% of the students who attended improved their understanding of the different options available and 78% felt more positive about their future.

"FOR MANY YOUNG PEOPLE THE DECISION OF WHAT TO DO AFTER LEAVING EDUCATION CAN BE AN OVERWHELMING AND DAUNTING PROSPECT. HOWEVER, IT'S EVENTS LIKE THESE THAT PUT THEIR OPTIONS IN TO FOCUS AND SHOW THEM THAT THERE ARE MANY ROUTES IN TO EMPLOYMENT – WHETHER THAT BE FURTHER EDUCATION, TRAINING OR SOMETHING MORE VOCATIONAL, THERE IS THE RIGHT PATH FOR EVERYONE."

Councillor Sue Murphy, Deputy Leader of Manchester City Council



CORPORATE RESPONSIBILITY

WATES GIVING

Whether it is through our employee volunteering programme or through Wates Giving, we are committed to giving something back to the communities in which we work and live.

Everything we do for our communities comes from the initiative, passion, and enthusiasm of the people who work for Wates.

Wates Giving is an independent charitable programme run by the Wates family and, in 2014, it made 120 charitable awards totalling £805,000 and supported a range of employees' community projects.

This included everything from sponsoring children's football kits to helping athletes pursue opportunities for Great Britain, and from providing funding for local community and charitable organisations' projects to match-funding the fundraising efforts of our people in support of either our nominated charity partner or a charitable cause that is close to their own heart.



Project supported by Wates Giving



Project supported by Wates Giving

In addition to the support given through Wates Giving, the Wates Group continues to work with the Prince's Trust on its 'Get into Construction' programme. In 2014 we extended that relationship through a two-year charity partnership. In addition to fundraising for The Prince's Trust,

we will be supporting its TEAM programme through volunteering on 12 week personal development courses designed for young people aged 16 to 25, demonstrating the importance of volunteering and how, together, we can make a difference to the lives of young people.



PROUD TO BE A PATRON



"I HAVE ENJOYED LEARNING ABOUT THE DIFFERENT ASPECTS OF CONSTRUCTION AND ALL THE SKILLS THAT ARE REQUIRED"

Daniel Stratton, participant in one of our Prince's Trust World of Work (WOW) tour at Orchard Park, Hull



PALACE TO PALACE CYCLE RACE

Eighteen Wates employees took part in the Prince's Trust cycle race from Buckingham Palace to Windsor Castle, a distance of 45 miles and raised over £6,000.

WATES GROUP BOARD

JAMES WATES CBE
CHAIRMAN



James joined Wates Construction in 1983 and the Wates Construction Board as Marketing Director in 1994. He was appointed to the Wates Group Board in 1997 and became Chairman in 2013. He is Chairman of the Nominations Committee and until April 2013 was a member of the Remuneration Committee. Outside the Group James is Chairman of CITB, Chairman of UKCG, Chairman of BRE and a member of CBI. James is also Chairman of the Prince's Trust Built Environment Leadership Group, Vice Chairman of the Queen Elizabeth's Foundation for Disabled People, a Governor of the Emmanuel School, a Governor of the University of Westminster and a patron of the Wates Family Enterprise Trust. In January 2012 James was awarded the CBE for services to Construction and the charitable sector.

ANDREW DAVIES
CHIEF EXECUTIVE



Andrew was appointed Chief Executive of the Wates Group in January 2014. Prior to this Andrew spent 28 years at BAE Systems in various commercial, strategic and operational roles. These included Managing Director of Maritime, a major division of BAE Systems, with over 14,000 employees. Other roles included Managing Director of Land Systems and Group Strategy Director when he was also a member of the Group Executive Committee. Andrew is a graduate in Business Studies from Sheffield University.

HUW DAVIES
CHIEF FINANCIAL
OFFICER AND
COMPANY
SECRETARY



Huw was appointed Chief Financial Officer of the Wates Group in 2005. He was previously Head of Corporate Finance at Taylor Woodrow and has held key positions with KPMG, Ernst and Young and the Government of Oman. Huw is a member of the Wates Developments Business Unit Board, which he chaired until mid-2012 and a director of Needspace?. He is a Non-Executive Director of Wessex Water and a Trustee of the children's communication charity 'I Can'.

DAVE SMITH
CHIEF OPERATING
OFFICER AND
MANAGING
DIRECTOR, WATES
CONSTRUCTION



Dave started his career in construction as a surveyor with Sir Robert McAlpine. He joined Wates in 1985, became MD of Wates' public sector business in 1999 and appointed MD of Wates Construction in 2005. Dave joined the Wates Group Board in 2009. He is the Company's representative for the UK Contractors Group and chairs the UKCG Health & Safety Leadership Group.

TIMOTHY WATES
DIRECTOR



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 the Wates Pension Fund and is Chairman of the Wates Family Council – the Family Shareholder forum. He is a UKTI Business Ambassador, Chairman of the Coast to Capital Local Enterprise Partnership and a Non-Executive Director of Tampopo and Pedder Property. Tim is a Trustee of various Wates Family charities and Director of the Clink Charity. He has an MBA from the Judge Business School, University of Cambridge.

ANDREW 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. Andy was appointed to the Wates Group Board in May 2011 and is also a member of the Remuneration Committee. He is a Trustee 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 Construction Youth Trust. He holds an MBA from Roffey Park Business School.

CHARLES WATES
DIRECTOR



Charlie is a chartered surveyor with over ten years' experience in the commercial property sector. He is founder and joint Managing Director of Needspace?, the Wates Group managed workspace division. Charlie joined the Wates Group Board in May 2011 and is a member of the Developments Business Unit Board. He is a member of the British Council for Offices and a former Governor of Dawnay school.

JONATHAN WATES
DIRECTOR



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 is a Non-Executive Director of Gambado and Chairman of MyriadCEG, a leading provider of on-site renewable energy solutions. Jonny is a Trustee of the Wates Family Enterprise Trust and the William Wates Memorial Trust and has an MBA from Cranfield University.

DAVID BARCLAY
INDEPENDENT
NON-EXECUTIVE
DIRECTOR



David was appointed Non-Executive Director of Wates Group in December 2012 and is the Group's Senior Independent Director. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He also holds Non-Executive positions at The British Library, where he is Deputy Chairman and Wessex Water Services, where he is Senior Independent Director and Chairman of the Audit Committee. He is former Non-Executive Deputy Chairman of the John Lewis Partnership and Vice Chairman of Dresdner Kleinwort, the investment bank. Earlier in his career, he spent ten years in the UK civil service, including two years as private secretary to the then Prime Minister, Margaret Thatcher.

GRAEME MCFAULL
INDEPENDENT
NON-EXECUTIVE
DIRECTOR



Graeme was appointed Non-Executive Director of the Wates Group in September 2009 and has chaired the Audit Committee since July 2011. He is also a member of the Wates Remuneration and Nominations Committees. He is currently Executive Chairman of Delin Capital and Chairman of the charity Transaid. Graeme was previously Chief Executive of Wincanton.

DEENA MATTAR
INDEPENDENT
NON-EXECUTIVE
DIRECTOR



Deena was appointed Non-Executive Director of the Wates Group in February 2013 and is a member of the Audit and Remuneration Committees. Until its 2014 sale to Schneider Electric, Deena was a Non-Executive Director of the global technology company Invensys and Chairman of its Audit Committee. She is a Non-Executive Director and Chairman of the Audit Committee for the information and communication technology company RM, which provides IT products and services to educational institutions. Deena started her career with KPMG in their property and construction division, later joining Kier Group and becoming the Group Finance Director.

WATES EXECUTIVE COMMITTEE



Wates Executive Committee is made up of ten people who are experts in their professions. Together, they are responsible for the day-to-day management of the Group's business affairs under the leadership of the Chief Executive. This includes formulating strategy proposals for Board approval and ensuring that the agreed strategy is implemented in a timely and effective manner.

ANDREW DAVIES
CHIEF EXECUTIVE



HUW DAVIES
CHIEF FINANCIAL
OFFICER AND
COMPANY
SECRETARY



DAVE SMITH
CHIEF OPERATING
OFFICER AND
MANAGING
DIRECTOR, WATES
CONSTRUCTION



**STUART
TOGWELL**
GROUP
COMMERCIAL
DIRECTOR



JOHN HOWELL
GROUP
PRODUCTION
DIRECTOR



STEVE BEECHEY
GROUP STRATEGY
DIRECTOR AND
MANAGING DIRECTOR
GOVERNMENT
AFFAIRS



PAUL ROWAN
GROUP HR
DIRECTOR



HELEN BUNCH
MANAGING
DIRECTOR,
WATES
SMARTSPACE



ANDY HOBART
MANAGING
DIRECTOR,
WATES LIVING
SPACE



**DAVID
BROCKLEBANK**
MANAGING
DIRECTOR,
WATES
DEVELOPMENTS



For full people profiles visit: www.wates.co.uk/managementstructure

2014 CORPORATE GOVERNANCE

UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code 2012 (the "Code") is the standard against which we measured ourselves in 2014. The Wates Group was fully compliant with all provisions of the Code for the period under review, except where, as a private family-owned company, we have determined elements of the Code are not appropriate.

The Board believes that good business and sustained performance stems from good corporate governance and remains firmly committed to achieving the highest standards in the interest of all stakeholders. Governance supports open and honest business, ensures that we have the right safeguards in place and makes certain that every decision we take is underpinned by the right considerations.

This approach enables us to protect the integrity of our business, meet our strategic objectives, create value for our shareholders and build a long-term sustainable business.

The Board is clear that by doing the right things in the right way we can protect our brand, reputation and relationships with shareholders, customers, employees, supply chain and the local communities in which we work.

THE ROLE OF THE BOARD

The Board's primary responsibility is to promote the long-term success of the Company by creating and delivering sustainable shareholder value. The Board seeks to achieve this by setting out its strategy, monitoring performance against strategic objectives and reviewing implementation of the strategy by the Executive Committee.

We maintain a formal schedule of matters reserved for Board approval, including determination of the Group's strategy and long-term direction, approval of budgets, capital expenditure, organisation changes, including new business ventures, the acquisition or disposal of assets, and changes in key policies. The Board also monitors 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.

THE ROLE OF THE CHAIRMAN

The Chairman plays a pivotal role by creating the conditions for overall Board and individual director effectiveness. The Chairman is responsible for appraising the Board of all matters affecting the Group and its performance. He is responsible for effective operation and chairing of the Board, ensuring the efficient use of the Board's time, that the agenda is forward looking and concentrates on strategy. The Chairman ensures that sufficient time is allocated to discuss complex or contentious issues, so that decisions are reached in a consensual and timely manner, arranging pre-board preparation as necessary, to avoid unrealistic deadlines for decision-making. The Chairman also has responsibility to ensure effective communication with shareholders and that all Board members are aware of the views of shareholders.

BOARD OF DIRECTORS

Our Board comprises Chairman, Chief Executive, Chief Financial Officer, Chief Operating Officer, three Independent Non-Executive Directors and four family Directors.

On 6 January 2014 Paul Drechsler stepped down from the Board, and we were pleased to welcome Andrew Davies as our new Chief Executive.

Our Directors update their skills, knowledge and familiarity with the Company by attending appropriate external seminars and training courses, meeting with senior management and visiting regional and divisional operating offices. We have a formal induction programme for all new Directors, which is tailored to specific experience and knowledge, and which provides access to all parts of the business, including access to shareholders.

INDEPENDENT DIRECTORS

The Board is satisfied that the number and calibre of our Independent Non-Executive Directors, together with their diverse backgrounds and experiences, ensures that the principles of the UK Corporate Governance Code are met. The Board believes that the Independent Non-Executive Directors are wholly independent in that they have no material business or relationships with the Group that might influence their independence or judgement.

For the full 2014 Corporate Governance Report contact Deborah Hawkes, Company Secretariat at Deborah.Hawkes@wates.co.uk

2014 CORPORATE GOVERNANCE

BOARD MEETINGS

The Board has a programme of eight principal meetings every year, plus two additional days for the annual strategy conference with the Executive Committee. The Board receives regular and timely information on the financial performance of the business, together with reports on operational matters, market conditions, sustainability, competitor environment and corporate responsibility. The Directors have equal voting rights when making decisions, except the Chairman, who has a casting vote. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Group's expense.

From time to time, matters arise which require urgent approval prior to the next scheduled Board meeting and in such instances approval of all Directors is sought via a telephone conference call.

BOARD DIVERSITY

The Group is an equal opportunities employer and promotes an environment free from discrimination. The Group's policy on diversification extends to the Board. New Board appointments are based on a balance of skills and experience and will always be objective, free from bias and based solely upon relevant experience, knowledge and individual merit.

COMMITTEES

AUDIT COMMITTEE

The Board delegates a number of specific duties to the Audit Committee, in order to assist in the discharge of its duties and to bring independent oversight to the Group's activities. 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; performance and independence of the external auditors; and compliance with legal and regulatory requirements.

INTERNAL AUDIT

Reporting to the Audit Committee, Internal Audit is an independent objective assurance and advisory function established by the Board to provide assurance on controls and operations. Its primary task is to assist the operating businesses accomplish their objectives by bringing a systematic, disciplined approach to the evaluation and improvement of controls, risk management and asset protection.

EXTERNAL AUDITORS

PricewaterhouseCoopers was re-appointed external auditors at the Group's AGM in April 2014. The Committee assesses the effectiveness of its performance every year after completion of the annual audit plan.

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 aligned with shareholder interests.

NOMINATIONS COMMITTEE

The Board operates a Nomination 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.

EXECUTIVE COMMITTEE

See page 51.

GROUP RISK COMMITTEE

The Group operates a Risk Committee to ensure that inherent and emerging risks in the business 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.

INTERNAL CONTROLS

The Board takes ultimate responsibility for the Group's systems of risk management and internal control, and for reviewing their effectiveness.

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

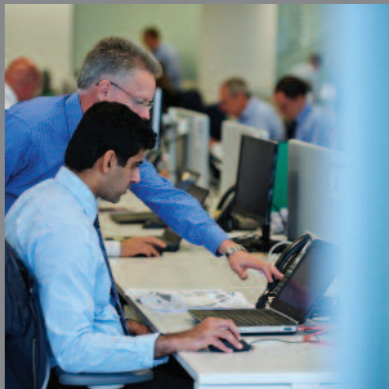
	2014 £000s	2013 £000s
Turnover		
Group and share of joint ventures and associates	1,050,297	931,171
Less share of turnover of joint ventures and associates	(55,998)	(79,476)
Existing operations	990,692	851,695
Acquisition	3,607	-
Group turnover: continuing operations	994,299	851,695
Cost of sales	(898,744)	(762,822)
Gross profit	95,555	88,873
Administrative expenses	(82,662)	(75,145)
Group operating profit:		
Existing operations	12,679	13,728
Acquisition	214	-
Continuing operations	12,893	13,728
Operating profit from interests in joint ventures and associates	10,914	9,364
Total operating profit - Group and share of joint ventures and associates	23,807	23,092
Deficit on revaluation of investment properties	(150)	(100)
Profit on ordinary activities before interest and taxation	23,657	22,992
Net interest receivable	4,619	3,291
Net interest payable – joint ventures and associates	(3,649)	(1,931)
Net other finance charges	(1,984)	(2,012)
Profit on ordinary activities before taxation	22,643	22,340
Taxation	(5,479)	(6,094)
Profit for the financial year	17,164	16,246

The financial information set out on pages 56 to 57 of this Annual Review does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 and 2014 have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

SUMMARY CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	2014 £000s	2013 £000s
Fixed assets		
Intangible assets		
Goodwill	31,302	24,622
Tangible fixed assets	28,101	20,173
Investments in joint ventures:		
Share in gross assets	115,754	104,281
Share in gross liabilities	(105,277)	(100,406)
Loans provided to joint ventures	60,559	47,831
Total investments in joint ventures	71,036	51,706
Other investments	3,509	3,764
	133,948	100,265
Current assets		
Stocks	16,451	8,411
Debtors		
Amounts falling due within one year	216,879	194,193
Amounts falling due after more than one year	18,031	13,908
	234,910	208,101
Cash at bank and in hand	86,646	103,129
	338,007	319,641
Creditors: amounts falling due within one year	(323,064)	(287,230)
Net current assets	14,943	32,411
Total assets less current liabilities	148,891	132,676
Creditors: amounts falling due after more than one year	(26,820)	(20,044)
Provisions for liabilities	(4,162)	(4,252)
Net pension liability	(31,452)	(29,259)
Net assets	86,457	79,121
Capital and reserves		
Called up share capital	14,777	14,777
Share premium account	956	956
Capital redemption reserve	17,447	17,447
Revaluation reserve	4,070	2,995
Profit and loss account	49,207	42,946
Shareholders' funds	86,457	79,121





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