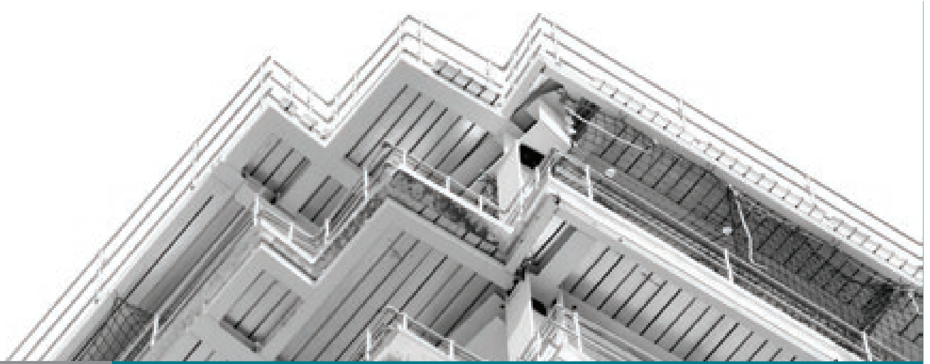
Wates

Together we inspire better ways of creating the places, communities and businesses of tomorrow

ANNUAL REVIEW 2018

The Wates Group was established in 1897 and is one of the leading privately-owned, construction, development and property services companies in the UK. We employ almost 4,000 people, working with a range of clients and partners from across the public and private sectors. Our work is guided by the purpose of inspiring better ways of creating the places, communities and businesses of tomorrow.



2018 in focus

EBITDA up 1.7% to **£48m**

Net assets increased by 14% to **£136m**

Profit (PBT) up 1% to **£35.9m**

£1.601bn turnover

Cash **£114.2m**

Record forward order book: **£5.4bn**
(2017: £5.1bn)

2016 2017 2018

136 'Building Futures' programmes helped unemployed adults into work

1,500 participants helped since 2006

300 people were supported through the programme in 2018, with 70% moving into education, employment or training

3,863 people (at December 2018)

Wates **177** Management Trainees and Apprentices

31.8 million hours worked

7,000+ new homes under construction

£360,000 donated to The Prince's Trust over 4-year partnership

Prince's Trust

Managed facilities in **350+** non-residential buildings

500,000+ homes maintained in the social housing sector

£5.5m spent with social enterprises (2017: £2.7m)

Over 5,000 hours volunteered by our people at more than 60 projects in our communities

Accident Frequency Rate down 26% from 2017 at 0.035 – a **70%** drop over five years

77% reduction in the Lost Time Injury Rate over five years (33% reduction in number of injuries on 2017)

2017

2018

31% reduction in RIDDOR injuries from 2017

Industry-leading health and safety performance –

Accident incidence rate 77% below construction industry average

(HSE report 2017/18)

Contents

Chairman's Statement

I'm pleased to present our annual report for 2018. In a turbulent year for the sector and for the UK economy as a whole, owing in large part to uncertainties surrounding plans for the UK leaving the European Union, we displayed strong performance in all of our business areas, having adhered to our clear strategic focus on construction, property services and residential developments.

Our success is also attributable to our being guided by a clear and strong ethos. The Wates Group is now in its fourth generation of family ownership and the shareholders are committed to a long-term perspective, with the goal of handing over to the next generation an even stronger, more sustainable business.

We, the shareholders, are guided by our belief that good business, done well, is a force for good in society. Through the company's core activities, we endeavour to leave the world a better place and we aim to generate social value for the communities in which we work. We also continue to put great importance on charitable giving. Wates Giving is nearly 11 years old, and in that time it has given over £13.8 million to charities. In 2018, we distributed more than £1.28 million, which included £240,000 in match funding for Wates employees' efforts.

I'm pleased that this ethos is shared by so many of our stakeholders, including clients. This is reflected in our success in 2018 with some very large client wins, including the project to renovate the Parliament's Northern Estate, part of the Wembley Park development for Quintain

Wembley Park

and the Estates Regeneration Programme for the London Borough of Havering. Social value is central to what we do and how we work and this is clearly aligned with our clients and delivery partners.

Notably, we continued to make improvements in our health and safety performance, having reduced the number of lost time injuries by 33%, and the Accident Frequency Rate by 26%. We have the systems and levels of awareness in place to continue to improve these numbers, as we work towards our objective of zero harm.

On behalf of the shareholders, I would like to thank all our employees for their hard work and commitment to our shared interest in generating social value for the long-term. Our people's personal efforts, insights and commitment are what make this company great.

> Together, we have all built something special in this company and we all have reason to be proud.

Thank you also to the Group's Board of Directors. In 2018 we welcomed three new Board Members – Paul Chandler, our Group MD for Construction, Philip Wainwright who joined as Chief Financial Officer and Jeremy Newsum who joined as a Non-Executive Director. Deena Mattar left the Board in March 2019 after having served as Non-Executive Director since 2013. I would like to extend my sincere appreciation to her for her work, in particular as Chair of the Audit Committee.

David Allen was named as permanent Chief Executive in April, having been appointed as Acting Chief Executive in November 2017 and I thank him for the excellent leadership he has demonstrated. The Executive Committee has responded positively to the change of Chief Executive and the smooth transition has reinforced that we have a strong team at senior levels, capable of guiding the company successfully in a complex and challenging business environment. The management team's performance in 2018 bodes well for our continued success.

During 2018, I was pleased to be asked by Secretary of State the Rt Hon Greg Clark MP to chair a group of organisations developing corporate governance principles for large private companies. This effort spanned the entire calendar year, culminating in the launch of the Wates Principles in December. I'm especially pleased that the Wates Group has become an early adopter of these principles. The relevant information is set out on pages 44 to 47 of this report.

Sir James Wates CBE
Chairman

Chief Executive's Review

Approach

The Wates Group's long-term aim is to become an ever more sustainably profitable business by investing in the development of our people, by building and nurturing collaborative and trusting relationships with our customers, suppliers and partners, and by maintaining high levels of financial resilience. Our work is guided by the purpose of inspiring better ways of creating the places, communities and businesses of tomorrow.

Safety and wellbeing

Keeping people safe from harm and creating a healthy and safe environment wherever the Group operates is our number one priority. Since the introduction of a Group-wide Zero Harm campaign in 2016, we have seen a marked reduction in incidents. This continued in 2018 with the Group's RIDDOR Accident Frequency Rate down by 26% from 2017 at 0.035 – equivalent to a 70% drop over five years. The Group achieved a 33% reduction in the number of lost time injuries reported (a 77% rate fall over five years) and its health and safety performance led the industry, with an accident incidence rate an encouraging 77% below the industry average.

Financial performance

Financially, 2018 was another very positive year for the Wates Group. In contrast to the challenging market conditions that affected many of our competitors, Wates grew pre-tax profits and achieved a level of turnover that was consistent with 2017. Nearly 80% of Wates' turnover is derived from frameworks and repeat customers. The Group entered 2019 with 3,863 (2017: 3,972) people and a record forward order book of £5.4bn (2017: £5.1bn).

Turnover, including the Group's share of joint ventures' and associates' turnover, decreased slightly to £1.601bn. Profit before tax and before taxation of joint ventures and associates was up 0.6% to £35.9m. The Group's net assets increased by 13.7% to £135.8m. During 2018, we made significant investments in our Residential Developments businesses and increased contributions to our defined benefit pension scheme. We ended the year with cash of £114.2m.

Despite challenging market conditions, on 11 March 2019 the Group's Revolving Credit Facility, which had never been drawn, was extended to £120m from £60m. The expiry date was extended from 2022 to 2023 and the Group was delighted to secure the support of an additional bank. The increased facility size and its extended duration provide the Group with additional liquidity and even greater financial resilience.

Housing

Wates has a proud history in housing. In 2018 it continued to cement its position as both a major residential developer and one of the country's leading providers of housing maintenance. During the year we were involved in the creation of over 7,000 new homes, including city centre flats, new build houses, retirement homes and student accommodation units. Our Property Services businesses maintained in excess of 500,000 homes in the social housing sector and managed facilities in more than 350 non-residential buildings. Our Residential business enjoyed significant growth, including the appointment to an estates regeneration programme in joint venture with the London Borough of Havering, which will deliver 3,000 new homes over the next 15 years.

Caring for communities

The Group has a deep commitment to the communities in which it works. Our people volunteered 5,000 hours at more than 60 projects to support the communities in which they live and work, and the Group supported a wide range of Social Enterprises (SEs), spending £5.5m with SEs in 2018 (2017: £2.7m).

Together with our partner Ixion, Wates delivered its 136th Building Futures Programme and celebrated its 1,500th participant since 2006. The programme helps unemployed adults get into work. 300 people were supported through the programme in 2018, with 70% moving into education, employment or training.

The Group pioneered an industry / school engagement programme #ThinkBuild with Career Ready and Arcadis. Between 2016 and 2018, the programme reached over 500 students through Insight Days, work experience and site visits. Employability continues to be the key focus of our ongoing Build Yourself programme. The Group also ran its second industry summer camp (the first was in 2017) to enable and empower those from disadvantaged backgrounds to join the sector – 56 young people attended the camp in 2018, with many drawn from among the most deprived neighbourhoods in the UK.

During 2018 the Group's four-year partnership with The Prince's Trust came to an end. We are proud that through donations from our people and support from the Wates Family Enterprise Trust, over £360,000 has been donated to help disadvantaged young people develop skills and identify opportunities for employment. In 2018 we selected a new charity partner, The Conservation Volunteers, and raised over £40,000 in the first six months of our partnership.

> With a record order book, growing financial strength and a clear purpose, the Wates Group is looking forward to 2019 and beyond with optimism.

David Allen
Chief Executive

As a family-owned business we know our people are at the core of our continuing success. It's our people who make Wates successful. We will only achieve our strategic objectives if we retain and recruit the best people, and provide them with an environment characterised by inclusivity, diversity and opportunity.

Our people deliver our vision

Commitment to equality

Our commitment to equality is enshrined in our Group-wide sustainability programme, which sets out our approach to eliminating discrimination and building inclusion, fairness and respect across our business. In 2018 the Women in Wates network was established and involves individuals at all levels of the business. This forum has provided networking opportunities hosted by female leaders from within the Group, at which women have shared their experiences, sought support and advice and discussed ideas for future change. The group has been influential in helping to inform the Group's new Diversity and Inclusion strategy. The strategy responds to the idea that the entire built environment sector needs to change to become more representative of the communities it serves, and at Wates, we want to lead that change. The implementation of the strategy will be overseen by a new Head of Diversity.

We are proud that we continue to be recognised as an excellent employer through our national accreditation with C2E (Committed to Equality) at 'Gold' standard. This reflects our commitment to attracting, recruiting and retaining the best people regardless of their background.

Developing our people

Wates is among a select group of businesses to have achieved the Investors in People Gold standard on three consecutive occasions. Whilst this reflects the quality of our people practices across a number of important areas it also recognises our approach to investing in the learning and development of all our employees.

During 2018, we invested c.£1.5m in 6,546 training and e-learning days. Learning and development activity is aligned with our business priorities. The We're Safer Together – Lead and Drive the Change! safety programmes were successfully delivered to 889 of our leaders and supervisors. Our improving safety performance is evidence of the impact that these courses have had.

113 delegates participated in our new Professional Supervisor and Manager development programmes. In 2018, the first group of 25 Supervisors completed the programme, with a 96% success rate. A new flagship senior leadership development programme was launched with Henley Business School for a selected cohort of talented leaders.

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

Resourcing the business

In 2018, 896 new colleagues joined the Group, bringing the total number of employees at the end of December to 3,863.

Our in-house Resourcing Team is focused on finding the best people to join us here at Wates and aims to source talent directly, attracting a diverse group of talented people at all career levels and across all disciplines. We saw an 85% increase in the percentage of new joiners that were hired directly in 2018 and we were able to convert 89% of all offers to employment.

The Early Careers pipeline remains an important feature of our resourcing strategy, with 177 people on a structured Apprentice or Trainee programme in 2018 and preparation underway for a further 60 to join in 2019. In addition, we employed 32 apprentices at Level 2 and 3. We have retained 73% of the trainees who have joined us over the last five years.

As members of The 5% club, an alliance of companies aiming to engage 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 to exceed our commitment over the next five years.

Social and Environmental Sustainability

In 2018 Wates' social and environmental sustainability programmes continued to demonstrate our commitment to creating safer, better places for people and communities to thrive. Through our ongoing development of a Zero Harm culture that embraces the wellbeing of people and of the environment, 2018 saw the Wates Group achieve another industry-leading safety performance with an Accident Incidence Rate that is 77% lower than the industry average* and with 95% of our projects being RIDDOR free.

Leading and Driving Change

Our Zero Harm strategy, which is brought to life through our 'We're Safer Together' campaign, focusses on behavioural change. In 2018 a further 400 people participated in our 'Lead the Change!' programme, with a further 200 people engaging with our 'Drive the Change!' training course as we acknowledge that success will only be achieved when we have championed and embedded change at every level of our business.

These programmes have been intrinsic to the improvement in our safety performance, which in 2018 resulted in a 31% reduction in RIDDOR injuries from 2017 to achieve an AFR of 0.035; a 33% reduction in the number of lost time injuries to achieve an LTIR of 0.075; and a 33% reduction in High Potential Incidents and Dangerous Occurrences.

Mental Health Charter

Keeping our people safe from harm and improving their wellbeing remains the number one priority for the Wates Group. In 2018 the Group signed the Building Mental Health Charter.

As part of our effort to tackle mental health issues, both within the construction industry and in society more generally we had trained more than 180 employees as Mental Health First Aiders, and have a goal of training a total of 250 by the end of 2019. These people are already providing valued support to colleagues. We are also training wellbeing champions as mental health instructors through Mental Health First Aid England.

> Our sustainability programmes also focus on projects that create lasting benefits for the environment and for communities. This includes helping disadvantaged communities and people to thrive, and significantly improving the impact of our operations on waste, energy and nature.

Project Excellence

Our Safety, Health and Wellbeing, Environment, Communities, Quality, Sustainable Building and Social Value programmes are all intrinsically linked to creating the places, communities and businesses of tomorrow.

They are the key drivers for project and operational excellence and in 2018 the Wates Group piloted a 'Project Excellence' site recognition scheme within its construction business to further raise standards, promote innovation and acknowledge our teams' performance in all these areas. Through this scheme, 14 sites achieved Gold, 22 Silver, and three Bronze.

This complements our success with the nationally accredited Considerate Constructors Scheme (CCS) – of which we are a partner – and which recognised 25 of our 2018 sites for their excellence, with five gold, ten silver and ten bronze awards.

Considerate Constructors Scheme – 25 awards overall

5 Gold | 10 Silver | 10 Bronze

In 2018 Wates Group was once again proud to outperform the CCS average industry score, with a Group overall average of 40.65, against an industry average of 36.27.

* compares to HSE industry average.

Quality Mindset

Our approach to achieving project excellence and delivering lasting value focuses on developing a quality control mindset – from site set up and safety to right-first-time delivery and handover.

In 2018 we invested to equip our site teams with the latest mobile technologies, capable of integrating location, quality, safety, schedule and handover data to improve our management of snags, observations, inspections and a variety of tasks, helping our projects to keep on track.

The Conservation Volunteers

Our Treeathalon campaign is part of our new partnership with The Conservation Volunteers (TCV), which started in May 2018.

In our first nine months to 31 December 2018, our employees raised over £41,000 for the charity. This included match-funding through Wates Giving, supported 25 conservation projects and funded two specific projects.

The partnership is gaining considerable momentum and in 2019 we are expecting to plant a further 5,000 trees and raise a further £75,000 for the charity. Across all our employee volunteering activities in 2018, over 5,000 hours were volunteered to support a variety of community and TCV projects.

Prior to the start of our new charity partnership with TCV, we celebrated raising £360,000 over our four-year partnership with The Prince's Trust, helping to fund educational and support programmes for disadvantaged young people.

One of the first TCV projects to benefit from Wates employee fundraising is the delivery of weekly practical gardening and conservation sessions at Roding Primary School in West London. Delivered by TCV, the sessions are aimed at year five pupils (age 10) and are being run alongside a research project in conjunction with UCL, the Marmot Review and Inherit EU, which is monitoring the academic and wellbeing impact of 'Green Gyms', a TCV-developed programme that promotes and improves fitness whilst engaging with conservation activities for the benefit of communities and the environment.

The focus of these 'Green Gym' sessions within Roding Primary School is to develop and maintain its outdoor green spaces, and to provide a positive, tactile and fun environment in which the children can learn about different wildlife habitats, crops, food and nutrition choices, as well as about team work, decision-making and leadership – benefiting their mental and physical health.

"It's amazing to see students who are struggling in conventional classroom settings really flourish within green gym sessions and becoming leaders amongst their peer group. To hear from the teachers that they are making improvements in other classes is very positive."

Vicky Peet, TCV Project Officer

Focus on Environment

We are restless in our approach to creating better communities and opportunities for people to thrive, and in our focus on combating climate change and on enhancing the natural environment.

Our performance in 2018 saw over 97% of our waste diverted from landfill and a continuous downturn in the volume of absolute waste created compared to 2017 reporting.

We also made significant improvements in reducing our CO_2e emissions by 11% from our baseline year (2016) as measured in accordance with the Green House Gas Protocol and verified by the Carbon Trust. In 2018 we also offset 30% of our measured CO_2e emissions by investing in recognised international CO_2e reduction projects, which funded over 850 native trees being planted in the UK. Our carbon offsetting scheme will also contribute to our 'Treeathalon' target to plant 15,000 native trees by 2022.

ENERGY EXCELLENCE

The Statistics 2018

30% of our total CO_2e emissions were offset by supporting international renewable energy, rainforest protection and by planting **852** trees in UK tree planting schemes

CARBON TRUST STANDARD CARBON MEASURED 2018

11% Verification has shown a reduction in CO_2e emissions from 2016

Carbon Disclosure Project **ranked Wates (C) above** the sector average (D)

SITES on average used **348kWh/day** of **electricity** down from **456kWh/day**

SITES on average used **20,043 litres** of **gas oil** up from **18,490 litres**

Our operational fleet on average used **11.5 ltrs/100km** down from **16.9 ltrs/100kms**

OFFICES on average used **115kWh/m²** for **electric, 97kWh/m²** for **gas** and **9 ltrs/m²** gas oil

In 2018 on average each employee travelled **7,018km** by car, train & plane, emitting **1.2 t/CO2e/FTE down** from **1.3 t/CO2e/FTE** in 2016

41% of our electricity demand came from **renewable sources**

SEP managed over **950** Gas, Electric and Water meters with a saving of **£1.1m**

49 staff used the **'Cycle to Work Scheme'** to get a new bike

Building Futures

Through our award-winning Building Futures programme – which celebrated its 1,500th student in 2018 – we have delivered 136 programmes retraining unemployed adults, helping 70% of them to get back into employment or further training. Our education programme, Build Yourself, which is aimed at encouraging young people into careers in the built environment, engaged with 345 people in 2018. The programme ran two summer camps, which one female attendee who went on to develop a career in construction saying:

"I was lucky to take part in a summer construction camp run by Wates Group, which increased my new-found love for construction. Being part of the Wates summer camp taught me to embrace new challenges and work to overcome difficulties that arise when working with new people. There is beauty in the uniqueness of humans and this camp really showed me that."

BUILDING FUTURES

BUILD YOURSELF

Creating Social Value

In addition to our work with TCV and our education and employment programmes, Wates Group works to generate social value for its communities. It does this through Social Enterprise procurement, which in 2018 resulted in £5.5m spend within the social enterprise sector, measuring its impact at £1.77 for every pound spent and putting the company on target to achieve its goal of spending a total of £20m by 2020.

Measuring our investment in 2018 the total social value made through corporate programmes such as Building Futures, support for Social Enterprises, our charity partnerships and volunteering was over £10 million.

£5.5m spent with social enterprises (2017: £2.7m)

Sustainable Building

Through our partnership with the Supply Chain Sustainability School (SCSS), 85% of Wates' top tier supply chain (businesses with which we spend more than £500k a year) are now members of the SCSS, ensuring building and operating sustainably is at the heart of our delivery and procurement.

And further demonstrating our commitment to sustainable building and technologies, Wates Sustainable Technology Services (WSTS) brought in a further ten innovative suppliers to expand its portfolio to 40 suppliers in 2018, supporting customers and partners to achieve their sustainability goals and adding value by helping to identify, select and implement cost-effective technologies that comply with regulations, lower carbon emissions, improve building performance and reduce costs.

WSTS was launched in 2017 to accelerate the uptake of innovative sustainable solutions to support the delivery of energy efficient sustainable buildings. In 2018, WSTS positively engaged with 30 customers to identify solutions for sustainable building products and services, resulting in 18 customer implementations on our projects. A great example of the value Wates Sustainable Technology Services can bring to Wates customers and suppliers is the installation of 121 smart toilets at the London HQ of Standard Chartered Bank, which will reduce water usage by 81%, saving 14,314,300 litres of water a year, resulting in an annual cost saving of £31,000 and a substantial reduction in the building's carbon footprint, equivalent to an annual reduction in CO_2 of 14,798 kg.

Wates Giving

Wates Giving is a programme of the Wates Family Enterprise Trust, a charity independent of the Wates Group. It provides grants for the communities where the Group works and backs the causes that Wates people and the Wates Family support.

2018 was a landmark year for Wates Giving. The programme celebrated its 10-year anniversary and also embarked on a new strategic direction to ensure the Wates Family Enterprise Trust continues to support the Family vision to be a force for good.

During 2018, the Trust was pleased to make 238 new awards investing a total of £1.28m in charitable activities. These included a range of exciting community projects across the UK, from Miss Macaroon, a Birmingham based social enterprise training young people in catering skills, to Change Please, who are refurbishing a bus to provide vital services to London's rough sleepers.

Miss Macaroon

The Trust also continued its support for existing schemes, including the Wates Group's Building Futures pathways-to-work programme. Wates Giving has supported the scheme since 2008, helping well over 1,500 unemployed people nationally.

Introducing new Focus themes

The Trust made its first awards in 2018 under its new three Focus themes: Life Opportunities for Young People, Housing and Homelessness, and Sustainability.

The Wates Family decided to focus more funding on a smaller number of bigger, longer term grants to make an even more substantial impact.

As part of this new approach, City Year UK received a grant to help it pilot a new schools and university partnering programme in Coventry aimed at challenging young people to tackle education inequality. This forms part of the Life Opportunities for Young People theme.

The Centre for Social Justice's Housing Commission also received an award to support the production of reports examining issues around social and affordable housing, with the aim of helping to shape government policy and thinking. This award forms part of the work being carried out under the Housing and Homelessness theme.

City Year UK

The Conservation Volunteers

Reshaping Tomorrow week

The Trust was pleased to award £25,000 to 19 of the 90 local community and charitable organisations to which people from the Wates Group volunteered their time during June's Reshaping Tomorrow Week. Wates Giving also continued to support the Group's Corporate Charity partner. During 2018 this transitioned from the Prince's Trust to The Conservation Volunteers who were awarded £39,000 in grants in the year.

Celebrating ten years

The Trust was proud to celebrate its 10th anniversary during 2018 and marked this milestone with a number of activities to thank Wates employees for their continuing support. This included a series of 10 special one-off awards of £500 made to charities put forward by Wates employees, a film highlighting the scale of activity in the last decade and celebrating some of the charities supported as well as a Group-wide anniversary tea and cake party.

"2018 was another exciting year for Wates Giving and we would like to thank, as ever, Wates employees for the passion and commitment they bring in supporting communities. It was with great pleasure and pride that during the year we celebrated 10 years of the Trust and the impact it has made. We also made our first awards as part of our Focus themes programme. This will ensure Wates Giving remains a vital part of our approach to being responsible business owners, supporting our Family vision to be a force for good as the Trust enters its next 10 years."

Andy Wates

During 2018:

£1.28m invested in charitable activities

238 new awards

£240,000 match-funding supported by Wates Giving

Since launch in 2008:

Total invested: £13.8m

Over 2,100 organisations supported

£1.3m match-funding by employees since launch

Employee projects

2018 was yet another exceptional year for Wates Giving's support of the personal causes of Wates employees and the second-best year on record for the total raised by the match-funding scheme.

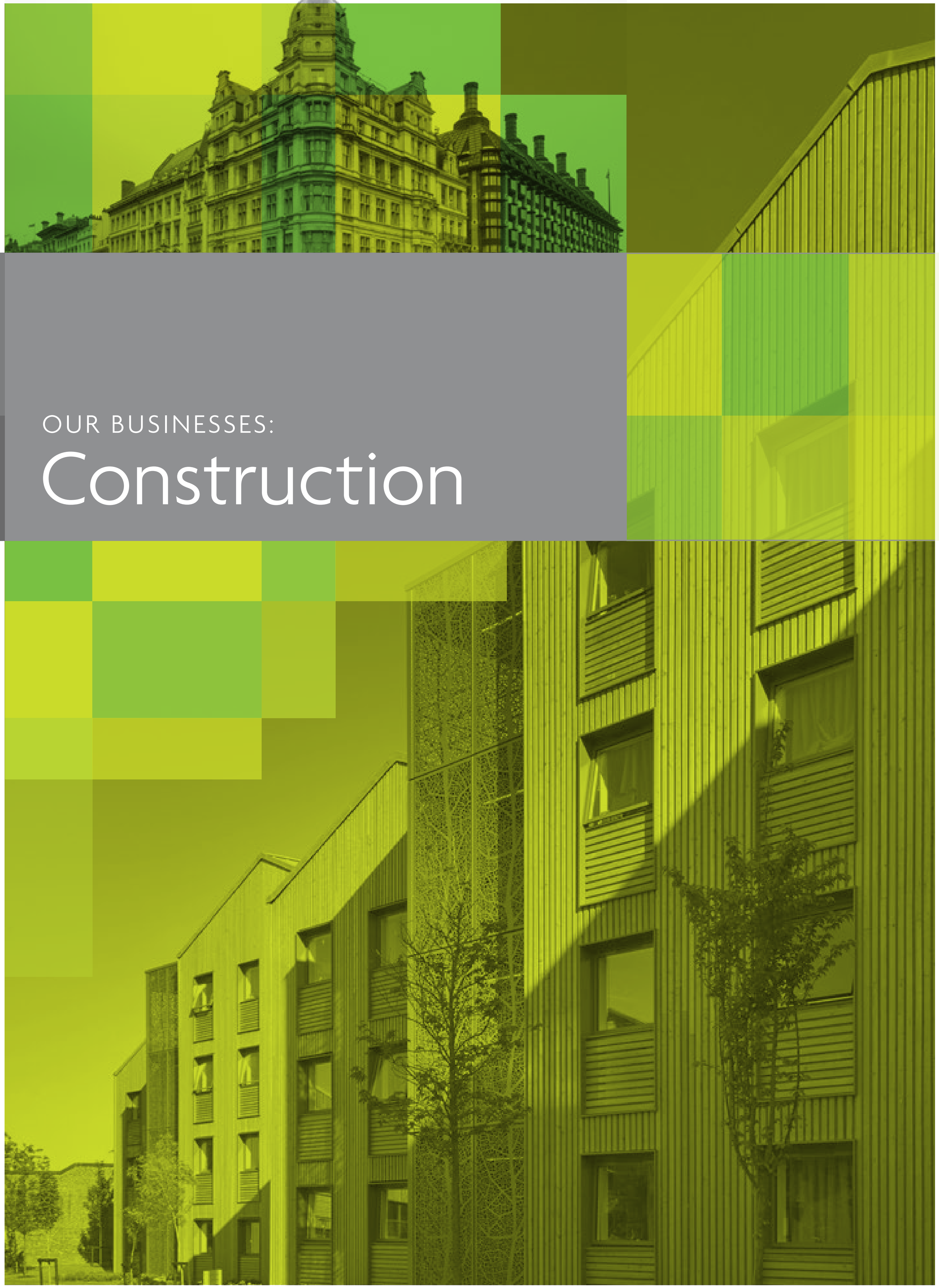
The Trust made 159 awards, valued at £148,000. Over £37,500 went to support Wates employees working on behalf of their local communities and charities as trustees, governors or in other volunteer roles such as fundraisers, sports coaches or general helpers. Support to local youth soccer, cricket, hockey, rugby and other sports teams providing strip and equipment was high on the list again this year ranging from the South Coast Kickboxing Club to the Sir Roger Casement Gaelic Athletic Association and Ashton-on-Mersey Cricket Club.

Enthusiasm for raising funds to support the personal causes they care about remains as strong as ever for Wates employees. Since the inception of the Trust's match-funding scheme in 2008, Wates people have raised more than £920,000 to which Wates Giving has added a further £385,000. In 2018, over £240,000 was added to the running totals through fundraising activities including dragon boat racing, sponsored netball matches and dress-down days, bringing the grand total at the end of the year to well over £1.3m since its launch in 2008.

The Trust made a grant to match the Give As You Earn donations made by Wates Group employees, which totalled over £16,000 in 2018.

Dragon boat TCV (above), Arran Bird (below)

INTRODUCTION
OUR BUSINESSES
MANAGEMENT STRUCTURE
GOVERNANCE AND ACCOUNTS



OUR BUSINESSES:

Construction

Wates Construction

"We've had a strong year, which has seen us deliver award winning projects and secure some prestigious contracts. Nationally it's great to see that our valued relationships with key customers continue to deliver excellent results."

Paul Chandler,
MD Wates Construction Group

INTRODUCTION
OUR BUSINESSES
MANAGEMENT STRUCTURE
GOVERNANCE AND ACCOUNTS

Wates Construction enjoyed another strong year in 2018, despite an economic landscape that continues to be challenging. The business saw some significant wins, including within the Scape Major Works framework and with the Department for Education. With new business secured in 2018 worth over £1.4bn, we remain on track to meet growth forecasts for 2019.

London Design & Engineering

1,200 employees

apprentices or trainees

£2.1m spent with social enterprises over the year

Last year we created a more focussed leadership structure and this, together with the embedding of our strategic priorities, means we are well-placed to grow in a controlled and sustainable way. A key focus for the year has been embracing new technology, including the distribution of tablets to more than 700 field-based colleagues, increasing the efficiency with which our on-site teams work, allowing our people to spend more of their time out on site.

Our commitment to sustainability has been recognised with a strong performance in the Considerate Constructors Awards, where the Construction business claimed three of the five coveted gold medals won by the Wates Group. Judges were particularly impressed by the Boldrewood Innovation Campus at the University of Southampton; the repair and restoration of the iconic Derby Hall and a £95 million residential development for Quintain Estates at Wembley Park. We spent in excess of £2.1 million with social enterprises, part of our on-going commitment to generating social value through our supply chain.

Quintain Estates, Wembley Park

We were proud to be recognised at the Construction Manager of the Year Awards, winning the coveted overall prize for our work on the V&A museum extension. In addition to the overall award, Wates colleagues received three Gold awards and one Silver award in recognition of their outstanding work.

Our success at industry awards has been matched by major contract wins including Nottingham City Hub, a new campus for Nottingham College; Wellington Place, MEPC's new urban commercial quarter in Leeds city centre and Parliament's Northern Estate Programme, involving the refurbishment and restoration of listed heritage buildings in Westminster. We have also been appointed design and construction partner for the new aquatics centre in Smethwick for Sandwell Council.

2018 was only the second year since the introduction of our Zero Harm strategy and our 'Safer Together' campaign. This has led to a 33% reduction in our RIDDOR injuries, equating to reductions of 28% in our Accident Frequency Rate and 57% in the number of lost time injuries. While we can never be complacent, our health and safety performance is industry-leading and remains our top priority.

In 2019 our focus will remain on continuing to embrace new technology, looking for better ways to connect with our customers and continuing to drive performance and efficiency on their behalf. The launch of the Wates Group's new Diversity and Inclusion strategy provides an excellent opportunity for us to continue to promote a more diverse and inclusive workforce in the year ahead.

MEPC WELLINGTON PLACE
LEEDS

Wellington Place consists of a series of high quality, new build Grade A office developments in central Leeds for our client MEPC. We began working on the first units in 2014, with the 7th and 8th units under construction by 2019.

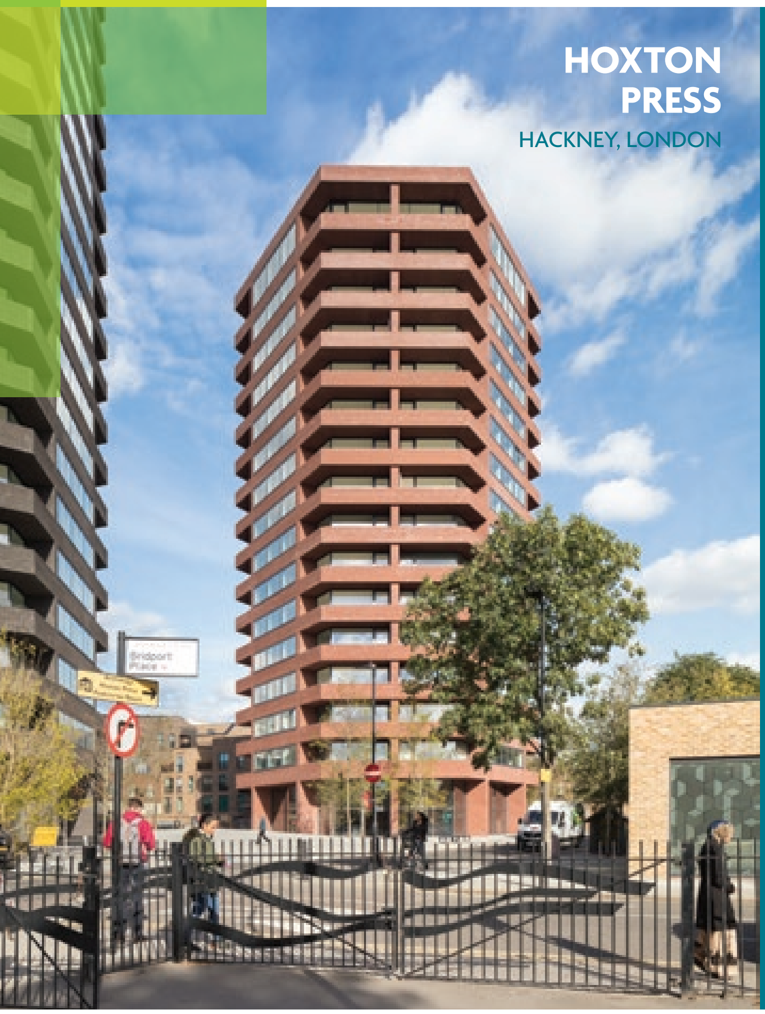
The latest flagship building in the development is an 8-storey commercial office building sympathetically designed to fit in with the remainder of the scheme and includes basement parking and space for 3,000 employees. Due to complete in late 2019, the building has already been pre-let to the Government property hub, and will be used by civil servants working for HMRC and NHS Digital.

The Wellington Place development demonstrates the progress of our lean construction techniques. Access methods refined over the four previous schemes have produced tangible benefits at Units 7 & 8, including programme savings, a reduction in reworking, snagging and improved safety.

Key clients

Department for Education
QUINTAIN
MEPC
capco
ANTHOLOGY

HOXTON PRESS
HACKNEY, LONDON



The regeneration of Hackney's estates is culturally, economically and politically sensitive and each project must be delivered with a genuine understanding of local needs. Hoxton Press – the construction of two residential towers in Hackney – is one of the first developments for our client Anthology, an organisation focused on enhancing neighbourhoods.

The 16- and 20- storey towers offer a mix of studio, one and two bed apartments and three bed penthouses totalling 198 residential units. There are basement cycle and car parking spaces, an energy centre, a café and a concierge.

The outcome is a stunning design that has been lauded by the architectural press and praised by residents old and new.

Making the design a reality was an enormous technological and engineering challenge, but was achieved within budget and on time, thanks to the ingenuity and hard work of our project team.

Meeting the architects' design specifications for the cladding of the building required brickwork to be embedded into the face of ceiling panels, involving the design of an entirely new brickwork system, which we have named SafeSecure Brick Cladding. This has allowed us to install brickwork on the underside of balconies safely – something that would have been impossible to do using traditional methods.

STAR ACADEMIES
MANCHESTER & BLACKBURN

December 2015 marked the completion of Eden Boys' School in Bolton, and in the following years we have established a strong relationship with Star Academies, leading to the construction of a number of Tauheedul schools.

Eden Boys' School Principal, Shabir Fazal, said that Wates had "a problem-solving approach and teamwork ethos, making them a pleasure to work with."

Despite several challenges at Eden Bolton – including community opposition and a delayed start – Wates "worked tirelessly to deliver the client's aspirations" (Matthew Maisey, Gleeds), which resulted in us being selected to build the Olive School in Blackburn. Both Eden School and Olive School were completed on budget and on time, and once again, "the school community were delighted with the finished product." (Julie Bradley, Executive Head Teacher at Tauheedul Olive).

"Our vision is to create schools where every single young person can excel. Building a school is about much more than the building; it is the learning environment that you create. These are values we share with Wates, and this has been fundamental to our relationship over the past four years."

Mo Isap,
Member and Trustee of
Star Academies since 2010


Star Academy, Manchester

Aside from delivering a quality job at Olive Blackburn, the Wates team also engaged the students in the development of their school. This included site visits for the pupils, regular participation in class assemblies and extensive involvement in an event for women in construction. In 2018 Wates was appointed lead contractor on both Manchester Eden Boys' and Eden Girls' Leadership Academies, as well as Tauheedul Blackburn – projects with a total value of £41m, all of which are on track for handover in 2019.


Star Academy, Blackburn

QUADRAM INSTITUTE
NORWICH RESEARCH PARK

The new Centre for Food and Health, Quadram Institute, is an innovative and multi-dimensional project integrating under one roof, plant, human health and food research, clinical research, clinical interventions, patient care and related commercial activities.

The centre is of national importance, a high profile building and an important landmark at the Norwich Research Park. It brings together research teams from the Institute of Food Research (IFR), the University of East Anglia and Norfolk and Norwich University Hospitals NHS Foundation Trust with major funding from BBSRC (Biotechnology and Biological Sciences Research Council).

Essentially, the institute is three buildings incorporated into one, a hospital, laboratories and offices. It comprises contemporary and purpose-designed accommodation for 370 research scientists, clinicians, support staff and clinical trial participants, and approximately 180 endoscopy patients daily.

The vision for the new centre was for one integrated building. Dedicated research and clinical areas will support the intended functions, but office space, meetings rooms, building support and amenities will be shared across all building occupants, to encourage mixing, discussion and cross-fertilisation of ideas. This project involved SES in the supply chain, and has been shortlisted for a Supply Chain Excellence Award at the 2019 Construction News Awards.

THE BANK
BIRMINGHAM

The Bank is a residential development of two towers of luxury apartments. Tower 1 is a striking high-rise 22-storey development located off Broad Street in the centre of Birmingham, comprising 189 studio, 1 and 2 bedroom apartments.

The site, which encompasses the refurbished Grade II listed The Bank building at 78/79 Broad Street, includes more than 3,000 square metres of retail space, together with a secure bike storage. Our remit extended to providing over 180 apartments with fitted kitchens and bathrooms at handover.

This was a challenging development in a highly confined and logistically challenging city centre location, demanding innovative approaches from our core team and sub-contractor partners. With a site perimeter of around eight metres and only one entry/exit point for vehicle access, all materials had to come through the ground floor onto a hoist to then be distributed to the relevant floors. This made sequencing critical to ensuring supply chain productivity and to meeting our programme. Work was completed in four bands of four or five storeys, allowing the team to commence fit out works on cordoned off floors. This helped to reduce the duration of the project, saving our client time and money.

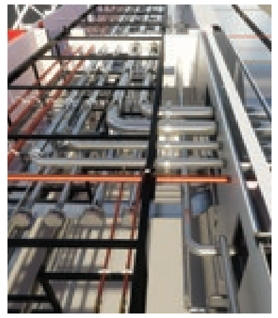
The building's reinforced concrete frame was also subject to major value engineering work between the first and second stage tenders, generating a 10 per cent cost reduction. The core was also designed to be free standing, allowing the slip form rig underneath to extend to its full height, reducing rig hire costs.

All of this was carried out while maintaining an exceptional health and safety record, with just three minor first aid injuries recorded and zero RIDDORs or lost time incidents over 400,000 working hours.

Such has been the success, that despite challenges, the project was extended to include the construction of Tower 2, well before the completion of Tower 1.

"Our strong senior leadership team, investment in new digital technologies and our talented people, have ensured we are in an excellent position to deliver value to all our customers. Our portfolio of complex, technical projects, which showcase our technical ingenuity, gives us a strong pipeline of work for the future."

Jason Knights, Managing Director, SES Engineering Services



SES Engineering Services

2018 has been a very positive year for SES Engineering Services (SES). Despite external challenges, the business has grown, increasing turnover by 8.2 per cent year-on-year.

Improvements in efficiency and profitability have been driven by a strengthened senior leadership team and sound engineering expertise. With this solid foundation in place, we expect to continue to grow.

A significant investment in and adoption of Virtual Reality (VR) over the last 12 months has allowed many of our customers to immerse themselves in a new, digitally constructed reality, stepping inside their projects while they are still in the design phase, improving design efficiency and ensuring errors are eliminated at the earliest possible opportunity.

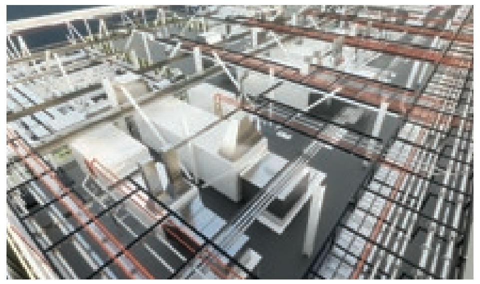
2018 was notable for a number of key technically complex projects, which have significantly enhanced SES' portfolio of high-profile jobs. These included:

- **Battersea Power Station**
- **Cleveland Clinic**
- **E.ON Connecting Energies CHP**
- **GSK Aseptic Manufacturing Facility**

We are continuing to see our average project size increase and have a strong pipeline of work across all our key sectors of Energy, Infrastructure and High-Tech.

Sustainability is at the heart of SES' growth and development.

Through our investment in social enterprises; by providing training for local people; by supporting education activities; and by volunteering in the community, we generated social value of over £775,000 during 2018.



Continuing our journey to 'Zero Harm' whilst ensuring the health and safety of everyone involved in what we do remains our top priority. SES has an outstanding health and safety reputation and our current rolling accident frequency rate is 0.00 – something we're incredibly proud of.

In 2018, SES was recognised at numerous industry awards for its world-class offsite manufacturing capabilities, outstanding health and safety record, and commitment to maximising the use of BIM on projects. This included a win at the Offsite Awards for the third consecutive year. Other wins included:

- **Offsite Awards 2018 – Best Use of MEP & Pod Technology – Quadram Institute**
- **British Safety Council International Award 2018 – 22nd consecutive year**
- **Construction News Awards 2018 – Specialist Contractor of the Year – Commended**
- **Construction News Specialist Awards 2018 – Project of the Year (subcontract over £6m) – Queensferry Crossing**
- **RISE Awards 2018 – Heritage Award for Restoration or Retrofit – Vita Student Village York**

555 employees

apprentices or trainees

£47,000 spent with social enterprises over the year

E.ON CONNECTING ENERGIES CHP PLANT

E.ON Connecting Energies (E.ON) selected SES to deliver M&E design and installation services on the largest combined heat and power (CHP) project to be undertaken by E.ON in the UK. The scheme comprises design, supply and installation of new power, steam, low temperature hot water (LTHW) and chilled water generation plant.

This project has been a great opportunity to showcase our technical engineering expertise and collaborative approach. The project also sees SES acting as the principal contractor on an extension to a bottling plant in Rugby, which is operated by a major soft drinks manufacturer. Further to the M&E work that is currently being carried out on the extension, we are overseeing the associated building works and the connection of the building services into the existing building.

The works focus mainly on bringing renewable power sources to the plant, through substantial high voltage (HV) power and protection improvements, and on upgrading the 60-year old boiler system to enable more efficient steam energy generation. All the works are being undertaken without interruption to the manufacturing and bottling processes.

This major building services project benefited from our innovative pre-construction engineering, combining a new and enhanced approach to digital engineering and extensive use of our offsite manufacturing facility, Prism.

The facility comprises a dedicated two-storey electrical building complete with ground floor uninterruptible power supplies and a choke and transformer room, with High Voltage (HV) and Low Voltage (LV) electrical switch rooms located at first floor level. Dedicated CHP plantrooms and boiler rooms are provided in separate fire compartments, whilst a new absorption chiller is containerised. The CHP coolers are located on a new mezzanine plant deck. The system is controlled by a Power Management System and off-site monitoring is provided to E.ON's Hamburg Remote Control Centre via a dedicated Supervisory Control and Data Acquisition system.

The critical power and process heating and cooling services in the energy centre were commissioned in early 2019 and are now fully operational.

OUR BUSINESSES:

Property Services

£2.5m spent with social enterprises over the year

1,500 employees

apprentices or trainees

Wates Living Space

Wates Living Space has continued to build on its well-established presence in the social housing sector, strengthening its position as one of the UK's leading planned and responsive maintenance and compliance services partners. Our collaboration with our customers was recognised with a number of industry awards and record levels of customer satisfaction, and we continued to win new work and build relationships with new customers.

The business continues to maintain more than 500,000 homes across the UK, achieving high customer satisfaction levels across its 64 housing association and local authority customers.

In 2018, Wates Living Space secured additional works with existing customers such as Birmingham City Council, Sheffield City Council and Thurrock, as well as forging new partnerships with the Longhurst Group, Manchester City Council and Barnet Council. The business was also appointed to some key frameworks including Fusion 21 and the Guinness Partnership – a testament to our commitment to providing exceptional repairs and maintenance services for public sector clients across the UK.

Support for community initiatives and customer engagement are central to the Wates Living Space ethos. The social enterprise sector forms a core part of the Wates supply chain and in 2018 Wates Living Space spent over £2.5m with social enterprises across the country. The business is committed to continuing to advance this agenda in 2019.

Locally, our Resident Liaison Officers play a key role in promoting community relations – working within diverse communities, ensuring that all residents have confidence in the service being provided to them. This work was recognised in 2018 by Tpas (Tenant Participatory Advisory Service), which awarded Wates a Contractor Accreditation for a further three years. We were the first organisation to achieve a 100% performance rating.

Heath Way, Birmingham

In 2016, Wates Living Space was appointed to deliver the largest social housing maintenance contract of its kind in Europe for Birmingham City Council. In 2018 our work on this contract – and notably our investment in market-leading technology and people development – was recognised with the award of Outstanding Approach to Repairs and Housing Maintenance at the UK Housing Awards. In just 18 months, customer satisfaction levels reached 99.9%, 100,000 repairs were undertaken and complaints fell to just 0.2%.

"2018 was a great year for Wates Living Space. We achieved excellent customer satisfaction scores, developed positive relationships with new customers and took an active role in developing our people to ensure we continue to perform to the highest of standards – while also looking after the health, safety and wellbeing of our teams, customers and communities.

We will build on this growth in 2019, continuing to focus on our core business areas of responsive and planned maintenance, compliance and fire risk assessment works, whilst also broadening our offer to include facilities management.

With this growth will come 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 wherever we work."

David Morgan,
Managing Director,
Wates Living Space

BARRY JACKSON TOWER

In partnership with Birmingham City Council, Wates Living Space has transformed Barry Jackson Tower in Birmingham, a disused 20-storey tower block, into much-needed temporary accommodation for up to 160 families who may have otherwise been living in emergency bed and breakfast or hotel accommodation.

Originally earmarked for demolition, the work involved a full back-to-frame strip-out of the tower, and has brought the 1970s building up to modern standards. It now provides 17 floors of accommodation, two recreational floors and one management office floor.

Modern life-safety equipment – essential due to the building's height, occupation density and recent changes in fire safety regulations – has been installed throughout, including sprinklers, fire lifts, wet and dry risers, automatic opening ventilators, smoke extraction systems and automatic door actuators, complete with a stand-by generator and new water tanks.

This project represents a significant investment in providing improved standards of accommodation for vulnerable people in Birmingham and places the council one step closer to eliminating the use of bed and breakfast accommodation for families facing homelessness.

BEN STREET REGENERATION

In January 2018, Wates was appointed by Manchester City Council to manage a major regeneration project in Ben Street, Manchester.

The project included the full refurbishment of 62 vacant properties, external façade works to 151 properties and improvements and the addition of safety features in public areas, including shared alleyways.

Refurbishment work included re-roofing works, energy efficiency upgrades, fitting new kitchens, bathrooms, flooring and carpeting, new heating, lighting, power, alarm and fire and smoke detection systems – bringing all 62 properties up to Decent Homes standards.

The windows and doors of the 151 occupied properties were replaced with modern UPVC and guttering was improved. Brickwork was stripped, cleaned and the mortar was repointed.

Community Engagement played a key role in the successful delivery of the project. Access to properties was made possible by building good relationships with local people, eventually allowing the project to be completed a month ahead of schedule.

What once was a run-down neighbourhood, on the verge of further decline, is now home to a thriving community. Ben Street is now a catalyst for further regeneration in the area.

LONGHURST HOMES

Wates was delighted to be appointed by the Midlands-based housing provider Longhurst Group in a contract worth close to £100m, with work beginning in April 2018. The ten-year contract involves managing a programme of repairs, compliance work, void refurbishments and planned maintenance of the Group's stock of c.16,000 homes across the Midlands.

To service this wide geographical area, Wates has taken a multi-location approach, basing staff at a number of facilities in Birmingham, Wellingborough, Boston, Nottingham, Grimsby and Lincoln. The team has adopted accounting and IT infrastructure from the repairs and maintenance contract with Birmingham City Council.

A 63-strong team of operatives delivers the work across the Longhurst Group's subsidiaries including Longhurst and Havelok Homes, Spire Homes and Friendship Care and Housing Limited.

In its first year the team has delivered almost 40,000 responsive repairs, completed 1,278 void refurbishments, carried out 4,095 electrical repairs and has installed almost 500 new kitchens and bathrooms, while also contributing over £3m in economic, environmental and social value to the community.

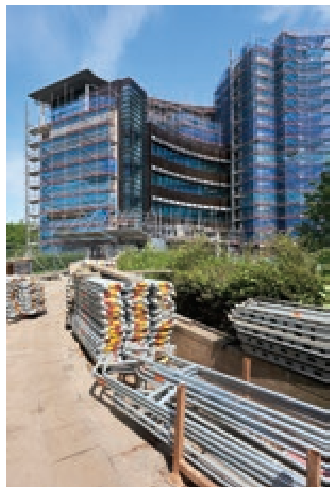
PORT HAMILTON
LLOYDS BANKING GROUP

Wates Smartspace delivered a £9m programme of repairs to the external façade of Lloyds Banking Group's Port Hamilton building in Edinburgh. It was one of the largest scaffolding projects in Scotland.

The programme comprised stone cleaning, column repairs, glazing repairs and seal replacements, curtain-wall checks and a full clean of the building's bronze cladding.

The team was required to operate a live site as Scottish Widows remained in occupation throughout the works. In addition, following the completion of external works, a further £9m of investment will be made on the internal fabric of Port Hamilton to refresh and update the property and to enable more agile working.

The complexities of this site have presented a number of challenges, for example, maintaining safe sub-tenant, public and neighbour access. However, the team has risen to the challenge, managing all key stakeholders including a local nursery, public car park and retail outlets and building great relationships with all concerned. This includes sponsoring the local nursery's art competition, with prizes awarded and winning entries on full public display on our site hoardings.



£363,000 spent with social enterprises over the year

Considerate Constructors Scheme – 9 awards

2 Gold, 2 Silver, 5 Bronze

Wates Smartspace

Wates Smartspace delivered a strong performance in 2018 across all its service lines, including major property upgrades, store and branch roll-outs, office fit-outs and facilities management. Our dedicated facilities management division, Wates Smartspace FM, continued to establish itself, acquiring new customers as well as national industry recognition.

Our performance was supported by our strong position on key national framework, with major UK businesses including the BBC, the Ministry of Justice, Marks & Spencer (M&S), Royal Mail and all four leading high street banks. As a result, 90% of projects delivered in 2018 were procured either through this route or through existing contracts with long-term clients.

Smartspace adds value for its customers by developing an in-depth understanding of individual operations and requirements. This close collaboration ensures high quality delivery across a diverse range of logistically challenging live environments, extending from commercial offices and retailers to healthcare providers and a zoo.

This approach saw the business secure further projects in the year with existing partners including: M&S, The Ministry of Justice, North West Construction Hub (NWCH) and F1 Real Estate. We also secured projects with new partners including the Department of Work and Pensions, HMRC and Costa Coffee.

Our success is underpinned by our high performing teams who deliver safe, high quality programmes 24 hours a day, seven days a week, across the entire UK. In 2018 the business recorded an industry-leading Lost Time Injury Rate of 0.1185 and our people were recognised for their outstanding commitment to improving the image of the construction industry, picking up nine Considerate Constructors Scheme awards including Most Considerate Site for M&S West Hampstead and Park Road Primary School in Trafford, as well as runner up in the Most Considerate Site Award for BBC Elstree Boiler House Works and the GSK Building 2.

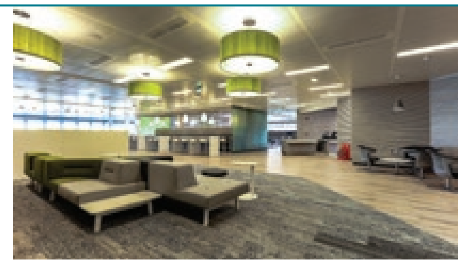
FORD
DUNTON

Fitout of new dining facility and kitchens. Ford's UK Technology Centre in Dunton, Essex comprises office buildings, testing and manufacturing facilities supporting Ford Motor Company's Engine Innovations throughout Europe. The whole Campus supports 4,000 Ford staff and the facility operates 24/7.

The dining facility and kitchens are located two miles from the main town of Basildon and provide on-site catering for all of the campus' staff.

The project was approved by William Ford – the Great Grandson of Ford's founder, Henry Ford.

The Dunton Facility was first constructed in the 1970s and contains asbestos, which was in common use at the time. A survey revealed that the levels of asbestos were greater than had initially been expected. We initiated a contingency plan to ensure staff could be



accommodated safely. An existing exhibition centre was adapted to provide a temporary food servery and seating area for all 4,000 staff and a temporary modular kitchen built in an adjacent car park to maintain the food provision to the whole campus.

In order to link the remote temporary kitchen with the converted exhibition centre safely, we adapted staff access routes and created safe, tarmacked, dedicated routes for the food trolleys travelling between the kitchen and the restaurant to segregate the customers from the food operation totally.

GOWLING WLG
TWO SNOWHILL, BIRMINGHAM

Gowling WLG is a global law firm with UK offices in Birmingham and London. Wates Smartspace tendered and won the opportunity to deliver a full refurbishment and fit out of the Birmingham city centre office.

KEY DETAILS
Value: £20m
Size: 116,593ft²

Two Snowhill is on a busy main road opposite a railway station. This location presented a logistical challenge around the timing of deliveries, which we overcame by implementing a strict traffic management plan whereby deliveries from suppliers could only be allowed between 1pm and 3pm. Any deliveries arriving outside of these times were turned away.

Work was carried out over five storeys and included full strip out; installation of new specialist glazed partitioning and folding screens, lighting, suspended ceilings and bespoke joinery, as well as the reconfiguration of the building's M&E and upgrading of the reception area.

All the work was carried out in a live environment, with the aim of us being a 'silent contractor' and not impacting Gowling's productivity.

We implemented a 14-week programme, developed in consultation with all stakeholders – including Gowling staff working on critical cases – which was signed off in advance, together with a noise reduction strategy.

As a result, the project was completed to the customer's complete satisfaction.

Key clients

M&S EST. 1884 | Ministry of Justice | BBC | Department for Work & Pensions | FI REAL ESTATE MANAGEMENT | NWCH Connecting Project delivery for the public sector

PFM award won

Wates Smartspace FM

The acquisition of SES Engineering Services in 2015 brought Wates an established facilities management capability. In the last three years, Wates Smartspace FM has flourished and now has a growing list of blue chip customers.

In 2019, as part of a long-term strategic review, Smartspace FM will divest from the wider Smartspace business, and join the Group's housing repairs and maintenance business, Wates Living Space, under a new Property Services division, enabling it to maximise the synergies that exist between both businesses and to present a stronger proposition to existing and future customers. This will create exciting opportunities to share innovation and technology and will give our people new opportunities to develop and progress.

Key clients

Twycross Zoo

Royal Hospital for Neuro-disability

The London School of Economics and Political Science

ACCA

HM Revenue & Customs

TWYCROSS ZOO

Since June 2016, Wates Smartspace FM has been delivering a range of services including landscaping, mechanical and electrical works, and the maintenance and refurbishment of the zoo's 64 buildings.

In a museum or a zoo, a lack of control over climate, humidity, or lighting conditions can lead to the loss of something irreplaceable – either an artefact of significant historical, cultural, and social significance, or the loss of an endangered animal's life. Work is carried out to provide maximum levels of public safety, where possible, being completed outside of public visiting hours.

Response times are also of great importance and we attend emergencies on site promptly. An example was when we were alerted that there was an issue regarding the temperature in the penguin enclosure, which we corrected in less than 15 minutes.

Delivering services at a zoo means that some aspects of compliance are a little unusual. Animals must be kept safe from visitors and, just as crucially, visitors and staff must be protected from the animals. Our compliance checks and task descriptions at Twycross therefore involve the checking of enclosure security, ensuring there are sufficient staff in attendance, and that doors that are opened for work are closed and locked once the work is finished. We ensure that any subcontractors or staff new to site are inducted and accompanied by someone familiar with Twycross Zoo's procedures so we can be certain no mistakes are made in relation to animal or public safety and security.

The team's work was recognised in 2018 with a national award at the Premises and Facilities Management Magazine's PFM Awards, celebrating the best of the outsourced facilities management market. Only two years into our relationship with the zoo, we were proud to share with them the award for 'Partners in CSR – Public Sector', recognising the importance of collaboration in successful service delivery. Underpinned by our sustainability framework, we have supported the zoo on its journey to a sustainable future. This has included co-funding an intern with Loughborough University to establish benchmarks in energy, water and waste reduction.

Needspace?

"Our ability to reposition property assets successfully to provide much needed good quality, flexible and well managed workspace to the growing number of SMEs in London and the South East remains at the heart of what we do. We support over 160 businesses from a diverse range of sectors, helping them achieve their ambitions and objectives. Our reward for this has been another record year for the Needspace? business."

Charlie Wates, Director

2018 saw another strong year of growth for Needspace?. In January, in response to continued demand in London, we completed a new 13,000 sq. ft. acquisition at 227 Shepherds Bush Road in Hammersmith.

This is an area that has seen significant investment and is increasingly popular with office occupiers due to its excellent transport links and vibrant local amenities. During the year the building has been repositioned to provide a mix of nine small units to be let on flexible terms alongside four traditional tenancies. The acquisition helped us achieve another record year, with turnover increasing by 24% to £4.6m, while profit before tax and the valuation uplift rose by 25%. The portfolio was reviewed independently by CBRE, who uplifted its estimated value by £3.4m (+7%) to £52m. Customer demand for our well managed flexible workspace continued to grow, with average occupancy across our seven sites increasing to 87% (+2%).

The business continues to search for new growth opportunities and to maximise the potential of its existing portfolio through planning.

Average occupancy
87%
(2017: 85%)

Sussex
67%
(2017: 68%)

London
92%
(2017: 94%)

163
businesses occupying our buildings

No. of people accommodated:
c.1,500

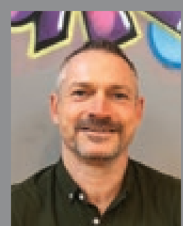
Hammersmith Acquisition
£9.9m
12,942ft²
(Gnd, 1-3 floors)

POSITIVELY
ST. MARK'S STUDIOS, ISLINGTON

When HIV peer support charity Positively UK needed to relocate recently, they were daunted by the challenge of finding premises that met all of their requirements. Fortunately Garry Brough, the charity's interim CEO, found St Mark's Studios in Islington, and Needspace? was able to help when they were ready to make their move.

"St Mark's Studios was the very first place we saw, back in late summer last year," Garry recalled. "However, our lease ran until April of this year so our hands were tied; we had to keep our options open and keep looking. Nothing we saw was anywhere near such a good fit for us – including some extremely glossy, high-spec brand new offices we were offered. Their rate for the first two years, discounted by 50%, was the same price as Needspace? but the environment would have created a false impression for us as a grass roots charity, and we could never have justified the full price once it leapt up.

"Our biggest challenge as a charity is being here long term for people with HIV who, with advances in treatment, can expect to lead long and fulfilling lives. Spending our funding wisely – getting the best value to deliver what the people we support need – is of utmost importance to us, and we're satisfied that our move to St Mark's Studio's has helped us to achieve that."



PIKS
EARLSFIELD BUSINESS CENTRE

Needspace? considers flexibility to be one of our greatest benefits, but we're equally proud of the long-standing relationships we have with customers who have been with us for many years. Mark Calvert moved Piks into our Earlsfield Business Centre over 12 years ago, while our renovation works after taking on the building were still being completed. It's proved a stable and consistent base for his electronics maintenance and repair business ever since.

"As well as making it a more sociable environment, Needspace?'s friendly, helpful staff provide a very important service to me as a sole trader. Having a manned reception to intercept visitors means my workspace is more private. I can work with fewer interruptions and even be out of the office without missing deliveries; they keep things ticking over.

"As a small business I have to watch my overheads, but I would say the pricing here is good value and it's changed very little over the years. It's not unusual for people to settle here like me; quite a few of my neighbours are fairly long-standing too. It seems to suit many of us well."

OUR BUSINESSES:

Residential Development

Wates Residential Developments Group

£150m capital committed

The Group's residential investment activity is focused on the Wates Residential Developments Group (WRDG), comprising Wates Residential and Wates Developments. WRDG covers all aspects of the residential development market – land, planning and development, building, sales and marketing expertise.

WRDG works with a wide range of partners across both private and public sector parts of the residential development market. The Group's aim is to support the UK's substantial need for new homes and infrastructure. It also places positive community engagement at the heart of everything it does.

WRDG achieved an excellent outcome in 2018, contributing significantly to the Group's overall financial performance. This was set against a difficult market backdrop with continuing uncertainty and concern over Brexit and ongoing challenges within the UK planning environment.

Wates Developments delivered a record performance, driven by excellent joint ventures and some significant land transactions, while Wates Residential made strong progress in both contracting and development.

WRDG is now a business of significant scale and expertise with a current development pipeline totalling circa 24,000 homes and with £150m of capital currently committed to our various residential development investments.

The Wates Residential Developments Group remains highly selective in its focus on specific regional markets and on working with quality development partners. Its long term private and public sector relationships, opportunity pipeline and financial strength give the business real resilience.

36 live sites

24,617 new homes in pipeline

22.9% return on capital employed (ROCE)

£107,910 spent with social enterprises over the year

Zero Injuries

Daedalus Village, Lee-on-the-Solent

Southwater

Wates Developments

Wates Developments had an exceptional year in 2018. The business generated value across all areas of operation – securing new land opportunities, delivering many significant planning successes, boosting investment in joint venture developments with leading housebuilders and closing several major land sales.

Royston

Key partners

Linden Homes · miller homes · Countryside

The business now holds a growing portfolio of over 65 sites at all stages of planning representing in excess of 12,600 homes. The team maintains a deep understanding of the UK land and housing markets and is expert at delivering planning consents with landowners and partners. This expertise enabled consents for 2,606 new homes to be achieved successfully across six sites in the year.

A record year for land returns was underpinned by an exceptional outcome at North Burgess Hill and notable planning successes at Crawley Down, Chalgrove, Lindfield and Walberton.

It was also a record year for new home sales within our joint venture developments, securing 559 completions on 13 sites. The business established joint ventures from both the land portfolio and on 'market sites', growing year on year.

Looking ahead to 2019, the business anticipates selling homes in joint ventures across 17 active sites including new schemes at Royston, Chalgrove, Bricket Wood, Barrow Guerney and Walberton. Together with live joint ventures, the business has a committed pipeline of over 3,800 new homes in development.

LINDFIELD

In 2018 Wates Developments secured a valuable planning consent for 200 homes on a large greenfield site on the edge of Lindfield, near Haywards Heath in West Sussex.

The site was promoted on behalf of 6 landowners and was part-owned by the business. Once consented, the land was sold to a leading housing association for development. The scheme should be complete by 2022. This success followed three years of challenging work promoting the site. The proposals established a third phase of development to create 495 homes in total and offer the community 60 affordable homes, a site for a new primary school and a 24 acre country park. In total the proposals created over £2.7million in public benefits. Despite being supported by Planning Officers, the site was ultimately refused by the District Council.

New homes proposals remain contentious in the UK for a variety of reasons. However, Wates is steadfast in the belief that everyone deserves a decent place to live. We are committed to boosting the UK's housing supply. Where a site is not supported by a Local Authority, despite holding very strong credentials for sustainable development, the business will contest an application at

the highest level and in this case the final determination was made and supported by the Secretary of State for Housing, Communities and Local Government.

The UK planning appeal system remains an expensive, complex and time consuming route to securing planning consent and appeals are very much viewed as a last resort by Wates. However, appeals are sometimes necessary to achieve an impartial decision on a particular site. In a recent survey of UK-wide planning appeal activity since 2012, Wates Developments ranked as the 5th most successful organisation in relation to appeal outcomes across the housebuilding and development sector. Wates Developments will continue to support the best and most suitable sites for new homes.

Wates Residential

In 2018, Wates Residential continued to grow, very encouragingly achieving its third consecutive year of operating without a reportable health and safety incident. The business continues to expand the number of both contracting and development schemes throughout the South and in Cardiff and now has 25 live sites. The forward project pipeline is approaching 10,000 new homes and demonstrates the strength of the business' strategy, which focuses on providing new homes in partnership with public bodies (such as Homes England), local authorities and housing associations.

The Wates Residential team believes that everyone deserves a great place to live. The standout achievement of the year was the conclusion of an ambitious £1bn joint venture with Havering Borough Council. The partnership will create over 3,000 new homes in Romford and the surrounding areas over the next 15 years. This major regeneration scheme will transform the local environment for residents.

Other notable achievements during 2018 include:

- Exemplary health and safety
- Continued growth of the development portfolio to 17 live sites and over 6,700 homes
- Expansion of contracting activities to 8 live sites and over 2,650 homes (with a forward order book of £0.9bn)
- Significant investment in the communities where we work
- Continued commitment to quality and to the environment, which was recognised with a silver Considerate Constructors Scheme award at Abbey Road in Camden
- Continued investment in people with the addition of 46 new team members over the year (a 74% increase)

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

The focus for 2019 will be on mobilising exciting new projects whilst maintaining Wates Residential's excellent reputation for delivering quality new homes safely.

HAVERING REGENERATION

"Working closely with the team at Wates Residential is going to help us to achieve an overhaul of the borough's existing council accommodation. We are committed to and excited about the vision we share and the long-term partnership between us. The new high quality homes and places we will build together will create thriving communities where people are proud to live."

Councillor Damian White
Leader of Havering Council

Havering site at Napier New Plymouth House

ABBEY ROAD
CAMDEN

The first phase of the Abbey Road regeneration in Camden was completed by Wates Residential in March 2019. The scheme transformed an underused car park into 141 private and affordable homes, and created additional retail spaces.

Urban redevelopment schemes are often logistically complex. In this case, the site bordered a major road and a mainline railway. The team faced considerable challenges in protecting everyone working on site and in ensuring the safety of the general public. The scheme was delivered on time and to the highest standard, to the delight of our customer.

"Wates Residential has proven they are able to deliver the promises they make to the community. It is clear from the surrounding community organisations that residents have benefited from Wates' involvement, care and training events. We are also very pleased with the quality of work and finish achieved. We look forward to continuing a close working relationship with Wates Residential on this and other projects."

Karen Honey
Senior Development Manager,
London Borough of Camden

Key partners

Camden · Havering · Homes England · Southern Housing Group · London Borough of Bexley · Cardiff Caerdydd · orbit building communities

CARDIFF LIVING

Wates Residential's 10 year 'Cardiff Living' partnership with Cardiff City Council is enabling the development of 1,500 homes across the city. This includes approximately 600 council homes for rent or assisted home ownership and a further 900 for private sale.

"Wates Residential is progressing very well on all sites across the city through the Cardiff Living scheme. It's an exciting time, with our first affordable homes completed before the end of the year and, along with other Council initiatives to address housing demand, Cardiff Living is bringing new, high quality, affordable homes to the city for people who need them most."

Cllr Lynda Thorne
Cabinet Member for Housing
and Communities

Cardiff Living site at Llanrumney

Management Structure

INTRODUCTION
OUR BUSINESSES
MANAGEMENT STRUCTURE
GOVERNANCE AND ACCOUNTS

Wates Group Board

The Group Board comprises the Chairman; Chief Executive; Chief Financial Officer; Group Managing Director, Wates Construction Group; three Independent Non-Executive Directors and four family Directors. Its primary responsibility is to promote the long-term success of the Group by creating and delivering sustainable value. The Board seeks to achieve this in part by being clear about the company's purpose and ensuring that its values, strategy and culture align with that purpose.

Sir James Wates CBE
Chairman

Sir James Wates CBE has worked for the Wates Group since 1983 and has been Chairman since 2013. He was first appointed to the Wates Group Board in 1997. He is chairman of the Nominations Committee.

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

Sir James feels passionately that good business, done well, is a force for good for society, which has led him to take on a number of other roles, such as Chairman of the think tank Tomorrow's Company and Chairman of the Princes Trust Corporate Advisory Group. In 2018 he was appointed by the government to chair the coalition group developing corporate governance principles for large private companies (the so-called 'Wates Principles').

He was awarded the CBE for services to construction and the charitable sector and was awarded the knighthood in the Queen's Birthday Honours in 2019.

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 and one of the three Executive members of the £15bn project's board. 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.

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. 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 Construction Youth Trust, as well as a member of the IFB Policy Committee. In the following year Andy was appointed Chair of Wates Foundation and Chair of IFB South East Region, along with becoming a Board member of the European Family Businesses. He also holds an MBA from Roffey Park Business School.

Charles Wates
Director

Charlie is a chartered surveyor with over fifteen years' experience in the commercial property sector. He is founder and joint Managing Director of Needspace?, the Wates Group managed workspace division which now comprises a portfolio of six 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, the British Property Federation and a director of the British Centre Association. Charlie is on the Board of Management, Estates Committee and Finance Committee of the Royal Alexandra & Albert School in Reigate.

Jonathan Wates
Director

Having started his career at Grand Metropolitan (now Diageo), 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. Jonny is a Trustee of the Wates Family Enterprise Trust and the William Wates Memorial Trust and has an MBA from Cranfield University. He has a particular interest in sustainability.

Timothy Wates
Director

Tim joined Wates in 1993 and has served on the Board from 2006 to 2008 and since 2011. He is Chairman of the Wates Family Council – the Family Shareholder forum – and is a member of the Audit Committee. He is also a Trustee of various Wates Family charities.

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

Outside of the company, he 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. He has an MBA from the University of Cambridge.

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

Paul Chandler
Group Managing Director, Wates Construction Group

Paul joined Wates as Group Managing Director of the Construction Group in January 2017, with accountability for the portfolio of businesses comprising Construction London, Construction London Residential, Construction Home Counties, Construction North, SES Engineering Services and Wates Building Services.

He was appointed to the Wates Group Board in June 2018.

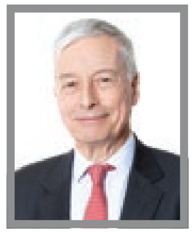
Before joining Wates Paul was Executive Vice President at Skanska UK, responsible for building and mechanical/electrical operations. Additionally Paul held executive responsibility for environment, pre-construction and strategic development. Over a 34 year career with Skanska, Paul delivered large and complex projects (routinely over £100 million in value) across the commercial, residential and engineering services sectors as well as a significant number of large public-private partnership (PPP) schemes in healthcare, defence and education. Amongst the most notable landmark projects for which Paul has had accountability are 30 St Mary Axe (The Gherkin) and Heron Tower in London.

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 Byrne Group, Laing O'Rourke, Biwater Plc, National Grid and ED&F Man.

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 with Wessex Water and The British Library, where he is Deputy Chairman and Chairman of the Remuneration Committee. He was appointed to the Board of YTL Land & Property (UK) Limited on 13 March 2017. 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.

Jeremy Newsum
Independent Non Executive Director

Jeremy Newsum joined the Wates Group Board on 1 September 2018.

A Fellow of the Royal Institute of Chartered Surveyors, Jeremy retired in 2016 after spending over 25 years leading the executive team of the Grosvenor Estate and the Grosvenor Family Investment Office. He remains a trustee of the Grosvenor Estate, and also holds Non-Executive roles at Trinity College, Cambridge; Grupo Lar (Spain) 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.

Joe Oatley
Independent Non-Executive Director

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 Wartsila in 2012. Joe is also a non-executive director at Carclo plc, an international manufacturer serving the medical and automotive sectors.

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.

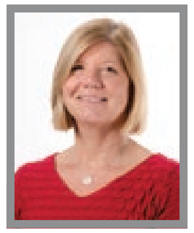
Wates Executive Committee

Wates Executive Committee is comprised of 10 individuals, all of whom are expert in their field. Together they are responsible for the management of the Group under the leadership of the Chief Executive. This includes formulating strategy proposals for Board approval and ensuring that the agreed strategies are implemented in a timely, safe and effective manner.

David Allen
Chief Executive

Stephen Beechey
Group Strategy Director and Managing Director Government Affairs

David Brocklebank
Group Managing Director, Wates Residential Developments Group



Helen Bunch
Managing Director, Wates Smartspace

Paul Chandler
Group Managing Director, Wates Construction Group

John Dunne
Group Safety, Health, Environment & Quality Director

David Morgan
Managing Director, Wates Living Space

Simon Potter
Group Commercial Director

Paul Rowan
Group Human Resources Director

Philip Wainwright
Chief Financial Officer

Governance and Accounts

WATES GROUP LIMITED

Extracts from the Annual Accounts and Reports for the year ended 31 December 2018

Company number: 01824828

The financial information set out in pages 38 to 80 of this Annual Review does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 and 2018 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.

Contents

Directors and Advisors

Directors	James G. M. Wates, CBE (Chairman) David O. Allen (Chief Executive) David M. Barclay Paul Chandler (Appointed 18 June 2018) Deena E. Mattar (Resigned 4 March 2019) Jeremy H. M. Newsum (Appointed 1 October 2018) Jonathan M. Oatley Philip M. Wainwright (Appointed 3 December 2018) Andrew E. P. Wates Charles W. R. Wates Jonathan G. M. Wates Timothy A. D. Wates
Company Secretary	David O. Allen (Resigned 3 December 2018) * Philip M. Wainwright (Appointed 3 December 2018)
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
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

* David Allen remained a Director

Strategic Report

The directors present their Strategic Report, which is followed by the Corporate Governance Report, Directors' Report and the audited consolidated Accounts for the year ended 31 December 2018.

The Chairman's Statement and Chief Executive's Review form part of this Strategic report can be viewed on pages 4 and 5 respectively.

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.
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 The impact of Brexit 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 UK's progress towards Brexit and has developed plans to respond to a range of potential scenarios. 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.

Risk	Mitigation
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. These, combined with comprehensive management oversight, the risk management process, project reviews, independent internal and external audits, peer reviews and customer feedback help mitigate the risk to successful project delivery. There is close scrutiny of the financial judgements made on projects and the Group takes a highly prudent view on the recognition of revenue and profit.
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 (see details of group financing arrangements on page 42).
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 on 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.

Strategic Report continued

Analysis of Financial Key Performance Indicators

Group Performance

Group turnover, including the Group's share of joint ventures' and associates' turnover, decreased by 1.3% to £1.60bn (2017: £1.62bn). Total operating profit before interest and tax increased by 1.3% to £39.0m (2017: £38.5m), with a consistent trading performance; supported by another strong year for our Residential Developments business. The overall operating margin was maintained at 2.4%; pre-tax profits at £35.9m (2017: £35.7m) were up 0.6% on the previous year.

The Group maintained a strong cash position throughout the year. The Group finished the year with cash at bank of £114.2m (2017: £169.5m). The Group has in place a revolving credit facility of £120m, which expires in 2023.

The forward-order book increased by 5.9% and finished the year at £5.4bn (2017: £5.1bn).

Construction

Construction turnover, including its share of joint ventures, was £848.9m (2017: £934.8m), 9.2% down on 2017.

Following our appointment to the Scape Procure major works framework, we have seen a steady demand for new projects for the public sector. Our productive relationship with the Department for Education saw us work on over £500m of new education projects during 2018, making Wates the leading contractor in this sector.

Our Construction business was appointed as lead contractor for the Northern Estates Programme for the Parliamentary Estate, a project of real national and historical significance.

Residential Developments

Turnover for Residential Developments (including share of joint ventures) increased by 10.7% to £233.3m (2017: £206.1m). Residential Developments operates in the public and private sectors. The business controls 4,016 acres (12,687 plots) of privately owned land (2017: 3,587 acres, 11,945 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 2018, strategically important sites in Havering, Cardiff and Lee-On-The-Solent. In 2018, planning permission was achieved for 709 residential units (2017: 1,025) with decisions pending in relation to applications for a further 1,870 units (2017: 1,396).

In addition to seven land transactions (2017: three), house building through joint ventures and public sector collaborations delivered 828 completions (2017: 540) from 27 active sites (2017: 15). Across these sites, there are 3,416 properties (2017: 2,572) 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 964 residential units (2017: 423).

Property Services

Property Services turnover, including its share of associates' turnover, was £514.1m (2017: £477.3m), 7.7% up on 2017.

In 2018, Property Services maintained in excess of 500,000 homes in the social housing sector and managed facilities in more than 350 non-residential buildings.

Needspace?

Needspace? provided flexible serviced office space to small and medium sized entities from 7 centres across London and the South East in 2018. In 2018, an independent valuation of the properties was performed resulting in an increase in the value of the portfolio to £52.0m (2017: £48.5m). At the end of 2018, 104,522 square foot (2017: 101,316) of floor space was occupied, being 84% (2017: 90%) of available space.

Cash flow and financing

The Group's cash position was resilient throughout the year. At 31 December 2018, the gross cash balance was £114.2m (2017: £169.5m) and cash (net of debt) was £88.1m (2017: £148.8m). Inflows from bank borrowings (£5.8m) and dividends received from joint ventures and associates (£3.5m) were offset by outflows from investments in joint ventures (£25.3m), purchase of fixed assets (£18.2m), dividends paid (£11.6m) and Group operating activities (£9.8m). The outflow from Group operating activities includes contributions to the pension fund of £12.7m.

Pensions

The defined benefit scheme deficit is calculated in accordance with FRS102. At 31 December 2018 the pension deficit (net of deferred tax) had fallen to £25.4m (2017: £34.4m) principally as a result of an increased level of contributions from the Group. The market value of the scheme's assets was £251.7m (2017: £256.6m) and the net present value of the liabilities was £282.3m (2017: £298.1m). There was an actuarial gain in the year of £0.5m (2017: £34.5m). Pension charges of £2.3m (2017: £2.1m) were made to the profit and loss account in accordance with FRS102. On 26 October 2018, the High Court ruled on the Lloyds Bank GMP Inequalities case. In response to this, an allowance of £1.3m has been included at the 31 December 2018 year end to make provision for the estimated costs arising from the judgment.

Shareholders' funds

Shareholders' funds increased by 13.7% to £135.8m:

	£m
Shareholders' funds at 31 December 2017	119.4
Profit for the financial year	27.5
Pension movements	0.4
Dividends	(11.6)
Share of other comprehensive income of joint venture	0.6
Currency translation difference	(0.5)
Shareholders' funds at 31 December 2018	135.8

Tax

The Group's tax liabilities arise and are met fully within the UK. The tax charge for the year was £8.4m (2017: £8.1m), which gave an effective rate of 23.5% (2017: 22.8%). 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 £11.6m were declared in 2018 and payments of £7.9m and £3.7m were paid on 6 April 2018 and 7 November 2018 respectively.

Wates Giving

The Group continued to contribute to Wates Giving, the charitable programme of the Wates Family Enterprise Trust. In 2018 this support amounted to £1.50m (2017: £1.25m). The programme's focus remains investment in local projects that provide sustainable benefits to communities.

Section 172 Companies Act 2006

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Group to not only demonstrate how the Board makes decisions for the long term success of the company and its stakeholders (see Principle 6 – Stakeholders, on page 46), but also having regard to how the Board ensures the Group complies with the requirements of Section 172 of the Companies Act 2016. Our reporting against the Wates Principles has been included on pages 44 to 47.

Throughout 2019, the Board will continue to review and challenge how the Group can improve engagement with its employees and stakeholders.

Approved by the Board of Directors on 13 March 2019 and signed on its behalf by:

James G. M. Wates
Chairman

D. O. Allen
Chief Executive

Corporate Governance Report

For the year ended 31 December 2018, 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 will 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 decided to adopt the disclosure early in our 2018 Report and Accounts and set out below how the Principles would have applied over the past year; for the next financial year we will be applying the Principles throughout our work.

Principle 1 – Purpose and leadership

The Wates Group was founded in 1897 and is in its fourth generation of family ownership. It operates in three areas of the built environment (construction, property development and property services) and seeks to generate social value routinely in all it does.

We have a guiding framework, "Creating Tomorrow Together" which defines our purpose, goals and behaviours:

- Our purpose is that "together we inspire better ways of creating the places, communities and businesses of tomorrow";
- Our goals are to be "sustainable", "trusted" and "progressive";
- Our behaviours are that "we care; we are fair; and we look for a better way".

The Group's purpose, goals and target behaviours were formalised during 2018, under the Board's direction, to guide the organisation's strategy, decisions, processes and culture. The purpose will be communicated to the workforce through the annual leadership conference and roadshows taking place during 2019. It builds on the Group's existing commitment to good governance and social responsibility. The Group promotes, amongst many other things: a health, safety and wellbeing programme called Zero Harm; incorporating Social Enterprises into our supply chain; performance against Considerate Contractor Scheme metrics; and a charity partnership with The Conservation Volunteers.

The family shareholders see themselves as actively engaged stewards of a socially responsible family enterprise. Five family shareholders are members of the board and maintain a visible presence in the company, promoting a long-term ethos, inclusion, diversity, community engagement, social responsibility, and environmental sustainability.

Principle 2 – Board Composition

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

The Group has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained. The Chairman plays a pivotal role in creating the conditions for overall Board and individual director effectiveness.

The Board comprises a Chairman, Chief Executive, Chief Financial Officer, Group MD Construction Group, four Independent Non-Executives and four family members. This size and composition is appropriate to our large yet focused business.

We acknowledge that there is a relative lack of diversity on the Board and recognise that this is a challenge across the construction sector as a whole. We are committed to making the company an ever-more inclusive environment, thereby fostering a more diverse workforce which should increase diversity at the most senior levels. We will be demonstrating our commitment to this area by publishing our Inclusion Strategy in 2019.

Independent Non-Executive Directors bring experience in construction, property development, engineering, finance, audit, in addition to perspectives and challenge from outside the sectors in which the Group operates.

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 company's expense.

The duties of the Board are executed partially through committees. The Non-Executive Directors attend and act as chair to relevant committees (as noted on pages 48 to 50) so that they are able to challenge and influence a broad range of areas across the Group.

The Executive Committee (a committee of the Board) ensures that the values, strategy and culture align, are implemented and are communicated consistently to the workforce - for example through regular leadership team conferences and the annual roadshows that are available to all employees.

Directors update their skills, knowledge and familiarity with the Group by meeting with senior management, visiting operations (such as visits to construction sites) and by attending appropriate external seminars and training courses. There is an induction programme for all new Directors which is tailored to their specific experience and knowledge and which provides access to all parts of the business, including access to shareholders.

The Board last undertook a formal effectiveness review facilitated by an independent external advisor in 2015 and has scheduled the next independent review for mid-2019. The 2015 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.

Since the 2015 Board Effectiveness Review there has been a significant shift in strategic issues being considered on a monthly basis, with operational matters reviewed quarterly and performance monitoring spread over the course of the annual Board programme.

Between externally facilitated assessments the Board has conducted informal self-assessments to consider progress and success in the execution of the action plans agreed under formal review. The Board considers effectiveness assessments important in the identification of key areas for future improvements, focus and for strengthening its overall performance.

Principle 3 – Director Responsibilities

Accountability

Good governance supports open and fair business, ensures that the company has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Whilst Board oversight is always maintained, key decisions are made by the individuals and committees with the most appropriate knowledge and industry experience. Each Board member has a clear understanding of their accountability and responsibilities. The Board has a programme of nine principal meetings every year, plus two additional days for strategic planning with the Executive Committee. The Board's key areas of focus in 2018 are included on page 49.

The Directors, Committee members and other members of the wider leadership team complete an Annual Code of Conduct declaration confirming that they have behaved in accordance with the Group's behaviours and values. As part of this process, all individuals must declare any potential conflicts of interest. These declarations are collated by the Head of Internal Audit and communicated to the Group Risk Committee. Where there are potential conflicts, appropriate safeguards have been implemented.

Committees

The Board delegates authority for day-to-day management of the company to the Executive Committee which meets monthly and is chaired by the Chief Executive and whose membership includes the Chief Financial Officer and leaders of each Business Unit, Commercial, Human Resources, Strategy and Health & Safety functions.

The Independent Non-Executive Directors are wholly independent in that they have no material business or relationships with the company that might influence their independence or judgement. In addition, certain governance responsibilities are delegated to other Board committees (Audit, Remuneration, Nomination, Corporate Finance and Sustainability). These committees include both Independent Non-Executive Directors, together with Wates Family Directors, who support effective decision making and independent challenge.

Integrity of information

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).

Key financial information is collated from the Group's various accounting systems. The Group's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is currently externally audited by PricewaterhouseCoopers LLP on an annual basis, and financial controls are reviewed by the Group's internal audit function which is staffed by five people.

Other key information is prepared by the relevant internal function. Processes for collecting data, as well as the reporting of that data, is reviewed on a cyclical basis by the Group's internal audit function with quarterly reporting provided to the Audit Committee.

Principle 4 – Opportunity and Risk

The Board seeks out opportunity whilst mitigating risk.

Opportunity

Long term strategic opportunities are highlighted in the annual Group Strategy process which is presented to the Group Board every year. The Board seeks out opportunities drawn from the business, the family enterprise strategy and the committees to which it delegates. Short term opportunities to improve performance, resilience and liquidity are collated through the quarterly business unit review process, which is attended by members of the Executive Committee.

Risk

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 2018 was on monitoring the effectiveness of the Wates Group's approach to risk identification, classification and mitigation. The Committee meets on a quarterly basis and updates the risk register for any changes in underlying conditions. The Committee continues to refine and enhance the company's risk management framework and risk registers and works to ensure consistency across operations. The company's key operational risks and mitigations are outlined in the Strategic Report (on pages 40 to 41). A list of emerging risks is maintained by the Risk Committee and considered at each meeting – an emerging risk is included on the risk register once its likelihood and impact of occurrence becomes material to the Group.

The company's Strategic Report includes key risks that are monitored by the Risk Committee. The risk register is presented to the Group Board on a monthly basis – specific points raised by the Board are discussed in the subsequent Risk Committee.

The company's systems and controls are designed to manage, rather than to entirely eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not an absolute assurance against a risk materialising.

Corporate Governance Report continued

Responsibilities

The Group has developed an Operating Framework which encapsulates the Group's operating rules, processes, best practice standards and delegated authorities. It is the fundamental platform to our internal control framework which includes (but goes beyond) its certifications for ISO 9001, ISO 14001 and ISO 18001 which are available on our website (www.wates.co.uk/who-we-are/corporate-governance/).

Specifically, the Group Board approves any contract above a certain value (determined by the Board) or any transaction that requires an unbudgeted allocation of capital, to ensure that the appropriate level of diligence has been performed in understanding the obligations, risks and terms of the contract. This enables the Group to protect the integrity and long-term sustainability of all its businesses, to meet its strategic objectives and to create value for its shareholders, customers and suppliers.

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.

The Remuneration Committee has clearly defined terms of reference and is responsible for making recommendations to the Board concerning the Group's remuneration strategy, recruitment framework and long-term incentive plans for senior executives. In doing so, the Committee takes advice from independent external consultants who provide updates on legislative requirements, best market practice and remuneration benchmarking, drawing on evidence from across the sectors in which the company operates and from other sectors. Pay is aligned with performance and taking in to account fair pay and conditions across the company's workforce.

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. The directors' remuneration is disclosed on page 65 (note 5).

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 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 (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

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.

The Board continues to seek to align the company's strategic direction with its purpose and to the shareholders' long-term aspirations for sustainability, growth, diversification and investment in the built environment. James Wates, as Chairman of the Board, is the primary communication route between the Board and shareholders. Together with Timothy Wates, as Chairman of the Family Council (a semi-annual meeting of all eight shareholders), they work to ensure harmony and unity amongst the wider shareholder group.

External impacts

The Board is committed to social responsibility, community engagement and environmental sustainability. It achieves this in part through its commitment to: a culture of zero harm (ensuring the safety, health and wellbeing of everyone who works with us); creating positive environmental and social impact; being an employer of choice where everyone is valued and respected; and seeking new ways to ensure the sustainability of the buildings we create and maintain. The company's internal KPIs include metrics on spend with Social Enterprises, which are reported to the Board on a monthly basis.

Stakeholders

The Board promotes accountability and transparency with all external stakeholders and with representatives of government and other opinion leaders, whilst maintaining an open and visible presence in the media. The Company's fundamental belief in promoting the public good is demonstrated and supported by the family including in our Chairman's active engagement across industry bodies and our stakeholder community.

On all large contracts, the Group hosts local community events including 'Meet the Buyer' to engage with local stakeholders.

The Group has recently introduced new customer engagement surveys which will 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. Although this is a new process, the findings are being used to improve customer engagement with knowledge being shared across all of our business.

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.

An annual employee 'Roadshow' delivered in locations around the country provides a briefing on the Company's performance and allows individuals to raise questions and concerns. The Group monitors its employee's commitment to its guiding framework by asking members of senior management to submit an annual declaration confirming whether they have complied with the Group's Code of Conduct. If any employee wishes to highlight any potential breaches to the Code of Conduct, they can contact the independent whistleblowing services provider and a formal investigation follows, with anonymous reporting to the Audit Committee.

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. Together with the Executive Committee the Board has overseen a number of initiatives over the past few years to improve employee relations by launching more interactive roadshows at both Group and divisional level, improving IT connectivity, expanding the menu of flexible benefits on offer, encouraging more flexible working practices and wellbeing initiatives and updating the Group's intranet platform and channels of communication to share information, best practice, achievements and success.

2018 has seen the introduction of both Gender Pay Reporting and Payment Practices and Performance Reporting, both of which are published externally. The additional analysis required to conduct this reporting has highlighted some areas on which the Group needs to improve. The Group welcomes these changes as it is looking to constantly improve in its engagement with all stakeholders.

The Group communicates openly with the Chair of the pension trustee, who is independent of the company. The trustees comprise individuals nominated by both the pension scheme members and the Company. These relationships are key to ensuring that the decisions made by both the Company and the scheme reflect the interest of all stakeholders.

The company's website (www.wates.co.uk), intranet and social media channels provide extensive and up-to-date news on recent developments.

Corporate Governance Report – Committee information

Group Board

Details of individual Directors' attendance of Board meetings in 2018 are shown in the following table:

Name of Director	Maximum no. of Principal Board Meetings Director could attend	No. of Principal Board Meetings Director attended	Percentage of Principal Board Meetings attended
Chairman			
James Wates	9	9	100%
Executives			
David Allen Appointed Acting Chief Executive 10 November 2017 and Chief Executive 6 April 2018	9	9	100%
Philip Wainwright – Chief Financial Officer Appointed 3 December 2018	1	1	100%
Paul Chandler – Group MD Construction Group Appointed 18 June 2018	5	5	100%
Non-Executives - Family			
Andrew Wates	9	9	100%
Charles Wates	9	9	100%
Jonathan Wates	9	9	100%
Timothy Wates	9	9	100%
Non-Executives - Independent			
David Barclay	9	9	100%
Deena Mattar	9	9	100%
Jonathan Oatley	9	9	100%
Jeremy Newsum Appointed 1 October 2018	2	1	50%

The Board convened one telephone conference call in 2018 to consider and approve a specific investment proposal and four extraordinary meetings to consider and discuss shareholders' long term goals and the strategic planning that would be required to develop an enterprise strategy. All Directors were either present or had provided feedback to the Chairman for consideration prior to the call or meetings.

Activities of the Board in 2018

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.

During 2018 the Board:

- Approved the Annual Accounts and Reports 2017;
- Set the Group's 2018 budget and five year business plan;
- Considered the allocation of capital to support the rolling five year business plan;
- Received detailed reports on the Group's operating and financial performance;
- Gave consideration to the Group's safety performance;
- Received updates on progress against strategic programmes and tested the overall strategy against the delivery of shareholders' long term objectives;
- Frequently considered the evolving economic, political and market conditions relative to Brexit;
- Considered competitor behaviour, including the impact of failing contractors and the resulting impact on the industry as a whole;
- Considered and agreed in principle a set of targets for the acceptable level of resilience and liquidity;
- Reviewed the Group's forecast funding requirements, debt capacity and potential financing options that would enable achievement of the desired resilience targets;
- Reviewed cash forecasts, cash management and status reports on the Group's investments;
- Regularly reviewed key risks, together with the adequacy of mitigation controls;
- Assessed all project delivery contracts and frameworks in excess of £35m in value and investment proposals in excess of approved budgets;
- Received regular reports from the Chairs of the Audit, Remuneration and Sustainability Committees on activities and recommendations of the Committees;
- Considered the continued personal development of the Executive Committee, including senior management succession planning;
- Implemented a review of the Group's remuneration of senior management incentive arrangements to ensure alignment with shareholder returns;
- Endorsed actions to promote the construction industry as part of a broader focus on diversity and Inclusion;
- Evaluated the short and long terms trends in sustainability that would help to inform the wider business strategy and the Group's long term planning process;
- Endorsed the appointment of The Conservation Volunteers as the Group's new charitable partner;
- Considered the data and narrative relevant to the Group's Gender Pay Reporting and Payment Practices and Performance Reporting in preparation for external publication, including proposed improvement plans to enhance performance; and
- Approved the annual statements on the Group's policies on anti-slavery and human trafficking, anti-bribery and corruption and the Group's tax strategy, which can all be found on the Group's website www.wates.co.uk

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.

Deena Mattar, a Fellow of the Institute of Chartered Accountants, was appointed Chair of the Committee on 1 October 2016. In 2018, the Audit Committee comprised one other Non-Executive Director; David Barclay who is considered independent, and Tim Wates, a Director from the Wates family. The Board is satisfied that the recent and relevant financial experience of both the Committee Chair and the Committee's members during 2018 followed the principles of good governance in relation to their skills, knowledge and experience.

External Auditors

PricewaterhouseCoopers LLP were re-appointed external auditors at the Group's AGM in May 2018. The Committee assesses the effectiveness of their performance every year after completion of the annual audit plan and in July 2018 the Committee evaluated their performance in relation to the 2017 audit. The evaluation takes the form of a questionnaire to a cross-section of staff involved in the audit process, including members of the financial, commercial, IT and internal audit functions and members of the Executive Committee. The caliber of the external auditors, their governance, independence and professionalism continues to receive good feedback. Both management and 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.

At its meeting in July 2018 the Committee was satisfied that the Group's external auditors' engagement policy had been complied with and concluded that the external auditors remained objective and independent and that the audit process was robust.

PricewaterhouseCoopers LLP were appointed external auditors in May 2011. The Audit Committee identifies re-tendering of the external audit service at least every ten years as good practice.

Corporate Governance Report – Committee information continued

Corporate Finance Committee

The Committee has delegated responsibility for the oversight of discrete matters relative to the Group's balance sheet. In 2018, the Committee comprised David Barclay and Deena Mattar, Independent Non-Executive Directors, Timothy Wates and Andrew Wates, Non-Executive Directors from the Wates family and David Allen and Philip Wainwright, as Executive Directors. The Committee has no formal schedule of meetings and meets as required under the chairmanship of David Barclay.

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 2018, the Remuneration Committee comprised three Non-Executive Directors and is chaired by David Barclay. Members included Deena Mattar who was an Independent Non-Executive Director 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 2018, the Committee comprised Non-Executive Directors under the chairmanship of James Wates, including David Barclay who is considered independent and Andrew Wates and Timothy Wates who are Directors from the Wates family. The Committee has no formal schedule of meetings and meets as required

In 2018 the Committee led the process that resulted in the appointment of David Allen as Chief Executive, Philip Wainwright as Chief Financial Officer and Paul Chandler's appointment to 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 2018, 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, the Chief Executive and Chief Financial Officer with invitations extended to the Group Safety, Health, Environment and Quality Director, the Group Sustainability Director and the Group Strategy Director. In 2018 the Committee evaluated outputs of a Horizon Scan study, identifying the short and long terms trends in sustainability that were likely to shape the future of the business.

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 2018, the Committee was chaired by the Chief Executive and comprised of members of the Executive Committee, regional business directors 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.

To support the Committees' work and to enhance the cohesion of the Group's risk management approach, including the cascade of Group-wide messages and lessons learnt, business unit commercial leads and function heads attend meetings on a rotational basis to discuss their respective risk management and mitigation plans.

Directors' Report

The directors present their Annual Accounts and Reports for the year ending 31 December 2018. This report must be read in conjunction with the Strategic Report on page 40, the Chairman's Statement on page 4 and the Chief Executive's Review on page 5.

Dividends

The directors declared dividends in 2018 totalling £11,565,680 (2017: £8,245,072) of which £7,885,513 was paid on 6 April 2018 and £3,680,167 was paid on 7 November 2018. No further dividends have been declared in respect of the Accounts to 31 December 2018.

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. 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 in-house magazines, electronic bulletins, notice boards, social media, the Group's website and a weekly blog, which features guest 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 18 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 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' Report continued

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 2018 and benefits from this 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:

James G. M. Wates, CBE (Chairman)

David O. Allen (Chief Executive)

Philip M. Wainwright (Chief Financial Officer)
(appointed 3 December 2018)

Paul Chandler (Group MD Construction Group)
(appointed 18 June 2018)

David M. Barclay

Deena E. Mattar
(resigned 4 March 2019)

Jeremy H.M. Newsum
(appointed 1 October 2018)

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 £1,518,000. No political donations were made in 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 iii) 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 2019 Annual General Meeting of the Company will be held on Thursday 2 May 2019.

Post Balance Sheet Events

On 11 March 2019 the Group's Revolving Credit Facility was extended to £120m from £60m. The expiry date was extended from 2022 to 2023.

There were no other post balance sheet events requiring disclosure.

Approved by the Board of Directors on 13 March 2019 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.

Consolidated Profit and Loss Account

For the year ended 31 December 2018

	Notes	2018 £000s	2017 £000s
Turnover:			
Group and share of joint ventures and associates		**1,601,035**	1,621,973
Less share of turnover of joint ventures and associates		**(100,426)**	(91,771)
Group turnover	2	**1,500,609**	1,530,202
Cost of sales		**(1,322,746)**	(1,369,342)
Gross profit		**177,863**	160,860
Administrative expenses		**(159,845)**	(142,937)
Net surplus on revaluation of investment properties		**3,409**	750
Group operating profit	3	**21,427**	18,673
Share of post-tax profit from joint ventures and associates		**10,863**	13,436
Total operating profit: Group and share of joint ventures and associates		**32,290**	32,109
Analysed between:			
Total operating profit before interest and tax		**39,011**	38,497
Net interest payable – joint ventures and associates		**(5,230)**	(3,574)
Taxation – joint ventures and associates		**(1,491)**	(2,814)
Net interest receivable	6	**2,137**	783
Profit before taxation		**34,427**	32,892
Analysed between:			
Profit before taxation and before taxation of joint ventures and associates		**35,918**	35,706
Taxation – joint ventures and associates		**(1,491)**	(2,814)
Taxation on profit	7	**(6,951)**	(5,313)
Profit for the financial year		**27,476**	27,579

The above results have been derived from continuing operations.

The financial information set out in pages 38 to 80 of this Annual Review does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 and 2018 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 £000s	2017 £000s
Profit for the financial year		**27,476**	27,579
Currency translation difference on foreign currency net investment		**(470)**	721
Remeasurement of net defined benefit liability	21	**479**	34,493
		9	35,214
Tax relating to components of other comprehensive income	21	**(81)**	(5,864)
Share of other comprehensive income of joint venture		**559**	44
Other comprehensive income for the year		**487**	29,394
Total comprehensive income for the year		**27,963**	56,973

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

Company number: 01824828

At 31 December 2018

	Notes	2018 £000s	2017 £000s
Fixed assets			
Intangible assets - goodwill	8	**52,013**	55,491
Tangible assets	9	**74,314**	67,415
Investments in joint ventures	10	**92,250**	67,989
Other investments	10	**2,673**	2,706
		221,250	193,601
Current assets			
Stocks	11	**40,206**	29,842
Debtors			
- due within one year	12	**279,817**	274,817
- due after one year	12	**30,837**	34,968
		310,654	309,785
Cash at bank and in hand		**114,171**	169,536
		465,031	509,163
Creditors: amounts falling due within one year	13	**(462,773)**	(498,816)
Net current assets		**2,258**	10,347
Total assets less current liabilities		**223,508**	203,948
Creditors: amounts falling due after more than one year	14	**(48,313)**	(39,227)
Provisions for liabilities	15	**(39,383)**	(45,306)
Net assets		**135,812**	119,415
Capital and reserves			
Called up share capital	18	**14,777**	14,777
Share premium account	18	**956**	956
Capital redemption reserve	18	**17,447**	17,447
Cash flow hedge reserve	18	**-**	(559)
Profit and loss account	18	**102,632**	86,794
Shareholders' funds		**135,812**	119,415

The notes on pages 60 to 80 form part of these accounts.

Approved by the Board of Directors on 13 March 2019 and signed on its behalf by:

James G. M. Wates
Chairman

D. O. Allen
Chief Executive

Company Balance Sheet

Company number: 01824828

At 31 December 2018

	Notes	2018 £000s	2017 £000s
Fixed assets			
Investments	10	**124,946**	58,412
Current assets			
Debtors			
- due within one year	12	**53,012**	55,813
- due after one year	12	**514**	2,576
		53,526	58,389
Cash at bank and in hand		**4,846**	205
		58,372	58,594
Creditors: amounts falling due within one year	13	**(141,679)**	(73,973)
Net current liabilities		**(83,307)**	(15,379)
Net assets		**41,639**	43,033
Capital and reserves			
Called up share capital	18	**14,777**	14,777
Share premium account	18	**956**	956
Capital redemption reserve	18	**17,447**	17,447
Profit and loss account	18	**8,459**	9,853
Shareholders' funds		**41,639**	43,033

The notes on pages 60 to 80 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £10,172,000 (2017: £10,869,000).

Approved by the Board of Directors on 13 March 2019 and signed on its behalf by:

James G. M. Wates
Chairman

D. O. Allen
Chief Executive

Consolidated Statement of Changes in Equity

At 31 December 2018

	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 2016	**14,777**	**956**	**17,447**	**(603)**	**38,110**	**70,687**
Profit for the financial year	**-**	**-**	**-**	**-**	**27,579**	**27,579**
Currency translation difference on foreign currency net investment	-	-	-	-	721	721
Remeasurement of net defined benefit liability	-	-	-	-	34,493	34,493
Tax relating to items of other comprehensive income	-	-	-	-	(5,864)	(5,864)
Share of other comprehensive income of joint venture	-	-	-	44	-	44
Total comprehensive income	**-**	**-**	**-**	**44**	**56,929**	**56,973**
Dividends declared on equity shares	-	-	-	-	(8,245)	(8,245)
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**

Dividends of £8,245,072 were declared in 2017 and payments of £1,673,985, £3,050,000 and £3,521,087 were paid on 10 May 2017, 2 August 2017 and 8 November 2017 respectively.

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.

Company Statement of Changes in Equity

At 31 December 2018

	Called up share capital £000s	Share premium account £000s	Capital redemption reserve £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2016	**14,777**	**956**	**17,447**	**7,229**	**40,409**
Total comprehensive income	**-**	**-**	**-**	**10,869**	**10,869**
Dividends declared on equity shares	-	-	-	(8,245)	(8,245)
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**

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 2018

	Notes	2018 £000s	2017 £000s
Net cash (outflow)/inflow from operating activities	19	**(9,842)**	11,017
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**253**	65
Purchase of tangible fixed assets		**(18,248)**	(23,220)
Net loans (paid to)/repaid by joint ventures		**(25,283)**	4,142
Dividends received from joint ventures and associates		**3,486**	14,255
Net cash outflow from investing activities		**(39,792)**	(4,758)
Cash flows from financing activities			
Equity dividends paid		**(11,566)**	(15,447)
Repayment of bank loans		**-**	(20,429)
Bank loans borrowed		**5,835**	7,523
Net cash outflow from financing activities		**(5,731)**	(28,353)
Net decrease in cash and cash equivalents		**(55,365)**	(22,094)
Cash and cash equivalents at beginning of year		169,536	191,630
Cash and cash equivalents at end of year		**114,171**	169,536

Cash and cash equivalents are cash at bank and in hand.

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 39. 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. 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.

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 virtually certain 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 is recognised directly in other comprehensive income. Any ineffective portion of the hedge is 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 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.

Notes to the Accounts continued

1. Accounting policies continued

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 outturn 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, 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 outturn 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 in 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.

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.

A subsidiary of the group participates, in respect of certain employees, in 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) 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 continued

2. Group turnover

Analysis by class of business	2018 Turnover £000s	2017 Turnover £000s
Construction	**846,481**	932,499
Residential Developments	**137,900**	118,911
Property Services	**511,575**	474,983
Other	**4,653**	3,809
Group total	**1,500,609**	1,530,202

Analysis of Group turnover	2018 Turnover £000s	2017 Turnover £000s
Construction contracts	**1,216,702**	1,320,497
Rendering of services	**215,795**	170,246
Sale of land and residential properties	**63,459**	35,650
Rental/licence fee income	**4,653**	3,809
Group total	**1,500,609**	1,530,202

Group turnover is materially within the United Kingdom.

3. Group operating profit

	2018 £000s	2017 £000s
This is stated after charging/(crediting):		
Amortisation of goodwill	**3,478**	3,746
Auditors' remuneration*		
- audit of these accounts	**28**	27
- audit of subsidiaries' accounts	**286**	278
- taxation compliance services	**8**	8
- non-audit services	**330**	373
Cost of stock recognised as expense	**56,906**	27,378
Depreciation of tangible fixed assets (including loss on disposal £19,000 (2017 £92,000))	**5,554**	4,983
Foreign exchange (gain)/loss	**(470)**	780
Hire of plant and machinery	**7,271**	6,242
Operating lease rentals	**6,949**	6,815
Research and development credits	**(1,169)**	(1,928)
Research and development	**7,108**	6,513
GMP equalisation	**1,300**	-

* Excludes fee payments made through joint ventures

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:

	2018 Number	2017 Number
Operations	**2,704**	2,821
Administration	**1,193**	1,151
	3,897	3,972

The aggregate payroll costs for the Group were as follows:

	2018 £000s	2017 £000s
Wages and salaries	**223,758**	215,379
Social security costs	**26,240**	25,185
Other pension costs	**17,845**	16,084
	267,843	256,648

The pension operating cost for the year was £1,371,000 (2017: £1,338,000) in respect of defined benefit arrangements and £16,474,000 (2017: £14,746,000) in respect of defined contribution arrangements.

5. Remuneration of directors

		2018 £000s	2017 £000s
Directors' emoluments	– executive and family directors	**2,104**	2,649
	– independent non-executive directors	**213**	130
Amounts receivable under long-term incentive scheme		**-**	1,932
Contributions to money purchase pension schemes		**49**	97
		2,366	4,808

Three (2017: three) directors have benefits accruing under a money purchase pension scheme.

		2018 £000s	2017 £000s
Highest paid director	- emoluments	**972**	1,145
	- amounts receivable under long-term incentive scheme	**-**	1,212

Notes to the Accounts continued

6. Net interest receivable

	2018 £000s	2017 £000s
Interest receivable:		
Bank	**243**	325
Other	**3,819**	3,450
Interest receivable	**4,062**	3,775
Interest payable:		
Bank	**(1,011)**	(983)
Other	**-**	(2)
Interest payable and similar charges	**(1,011)**	(985)
	3,051	2,790
Other finance costs:		
Net interest on defined benefit liability	**(914)**	(2,007)
Net interest receivable	**2,137**	783

Other interest receivable includes amounts from Joint ventures of £3,481k (2017: £3,119k) 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

	2018 £000s	2017 £000s
Current tax		
UK corporation tax on the profit for the year at 19% (2017: 19.25%)	**5,421**	4,354
Adjustments in respect of prior years	**681**	(226)
Total current tax	**6,102**	4,128
Deferred tax		
Origination and reversal of timing differences	**907**	1,250
Decrease in tax rate	**-**	-
Adjustments in respect of prior years	**(58)**	(65)
Total deferred tax charge	**849**	1,185
Total tax on profit	**6,951**	5,313

During the year beginning 1 January 2019, the net reversal of deferred tax assets is not expected to increase the corporation tax charge for the year significantly as the net reversal will be offset by lower current tax in respect of timing differences. There is no expiry date on timing differences.

b) Factors affecting the total tax charge for the year

The total tax charge for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000s	2017 £000s
Profit before taxation	**34,427**	32,892
Less share of profit after tax of joint ventures and associates taxed as separate entities	**(6,169)**	(9,922)
Group profit before tax	**28,258**	22,970
Group profit at the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**5,369**	4,422
Effects of:		
Permanent disallowable costs	**1,543**	1,182
Decrease in tax rate / timing differences	**(584)**	-
Adjustments in respect of prior years	**623**	(291)
Group total tax charge for the year	**6,951**	5,313

8. Intangible assets – goodwill

Group	**£000s**
Cost at 1 January 2018 and 31 December 2018	**72,098**
Amortisation:	
At 1 January 2018	**16,607**
Provided during the year	**3,478**
At 31 December 2018	**20,085**
Net book value:	
At 31 December 2018	**52,013**
At 31 December 2017	**55,491**

The net book value of goodwill at 31 December 2018 includes amounts and remaining amortisation periods regarding the following acquisitions:

Wates Living Space (Maintenance) Limited £16,829,000 – 12.4 years

Purchase Group Limited Group £6,621,000 – 15.9 years

Parts of the Shepherd Group £28,563,000 – 16.8 years

9. Tangible fixed assets

	Land and buildings				Assets	
Group	Investment properties - freehold £000s	Freehold £000s	Short leasehold £000s	Plant and equipment £000s	in the course of construction £000s	Group total £000s
Valuation or cost:						
At 1 January 2018	48,510	180	10,565	33,187	1,710	94,152
Additions	106	-	301	2,944	5,932	9,283
Revaluations	3,409	-	-	-	-	3,409
Transfers	-	-	52	921	(993)	(20)
Disposals	-	(180)	(641)	(1,998)	-	(2,819)
At 31 December 2018	52,025	-	10,277	35,054	6,649	104,005
Depreciation:						
At 1 January 2018	-	22	1,496	25,219	-	26,737
Provided during the year	-	1	1,445	4,089	-	5,535
Disposals	-	(23)	(641)	(1,917)	-	(2,581)
At 31 December 2018	-	-	2,300	27,391	-	29,691
Net book amounts:						
At 31 December 2018	52,025	-	7,977	7,663	6,649	74,314
At 31 December 2017	48,510	158	9,069	7,968	1,710	67,415

Investment properties, which are all freehold, were revalued as at 31 December 2018 to fair value at £52,025,000, based on a valuation undertaken by CBRE Limited, chartered surveyors, an independent 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 (xix). The cost of investment properties at 31 December 2018 was £43,463,000 (2017: £41,496,000). Other tangible fixed assets are stated at cost less depreciation.

At the balance sheet date the Group had contracted with licence and lease holders regarding provision of workplace and support services for minimum payments due within one year of £1,540,000 (2017: £976,000), and due over one year up to 5 years of £1,508,000 (2017: £923,000) and due over 5 years of £83,000 (2017: £nil). Contracts include licence agreements which are generally issued on a 3 month minimum term basis, rolling monthly thereafter.

Notes to the Accounts continued

10. Joint ventures and other investments

Group	Interests in joint ventures £000s	Interests in associates £000s	Unquoted investments £000s	Equity loans £000s	Total other investments £000s
At 1 January 2018	67,989	294	1,874	538	2,706
Additions	41,457	-	-	-	-
Repayments	(19,626)	-	-	(67)	(67)
Transferred to debtors	(8,958)	-	-	-	-
Share of profit	10,829	34	-	-	34
Share of other comprehensive income	559	-	-	-	-
At 31 December 2018	**92,250**	**328**	**1,874**	**471**	**2,673**

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 House,
Barratt Wates (East Grinstead) No. 2 Limited	50.0%	(Cartwright Way,
Barratt Wates (Horley) Limited	21.5%	(Forest Business Park,
Barratt Wates (Lindfield) Limited	50.0%	(Bardon Hill,
Barratt Wates (Worthing) Limited	50.0%	(Coalville,
DWH/Wates (Thame) Limited	50.0%	(Leicestershire LE67 1UF
Berkshire Land Limited	33.3%	11 Tower View, Kings Hill, West Malling, ME19 4UY
Linden (Basingstoke) Limited	50.0%	(Cowley Business Park,
Linden Wates (Barrow Gurney) Limited	50.0%	(Cowley,
Linden Wates (Bricket Wood) Limited	50.0%	(Uxbridge,
Linden Wates (Cranleigh) Limited	50.0%	(Middlesex UB8 2AL
Linden Wates Developments (Chichester) Limited	50.0%	(
Linden Wates Developments (Folders Meadow) Limited	50.0%	(
Linden Wates (Dorking) Limited	50.0%	(
Linden Wates (Kempshott) Limited	50.0%	(
Linden Wates (Lovedean) Limited	50.0%	(
Linden Wates (Ravenscourt Park) Limited	50.0%	(
Linden Wates (Ridgewood) Limited	50.0%	(
Linden Wates (The Frythe) Limited	50.0%	(
Linden Wates (Westbury) Limited	50.0%	(
Linden Wates (West Hampstead) Limited	50.0%	(
Luton Learning and Community Partnership Limited	80.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
Miller Wates (Bracklesham) Limited	50.0%	(2 Centro Place,
Miller Wates (Chalgrove) Limited	50.0%	(Pride Park,
Miller Wates (Didcot) Limited	50.0%	(Derby,
Miller Wates (Southwater) Limited	50.0%	(Derbyshire DE24 8RF
Miller Wates (Wallingford) Limited	50.0%	(
Luton Challney (Refico) Limited	8.0%	(2 Hunting Gate,
QED Luton (Challney) Limited	8.0%	(Hitchin,
QED Luton (Challney) Holdings Limited	8.0%	(Hertfordshire SG4 0TJ

Joint ventures continued

The Group holds the following interests in limited liability partnerships:

	Interest	Registered office
Havering and Wates Regeneration LLP	50.0%	(Wates House, Station Approach,
Signature Wates Residential LLP	50.0%	(Leatherhead, Surrey KT22 7SW
Laurus Living Space LLP	50.0%	Sale Point, 126-150 Washway Road, Sale, Manchester M33 6AG
Linden (Battersea Bridge Road) LLP	50.0%	(Cowley Business Park,
Linden Wates (Horsham) LLP	50.0%	(Cowley,
Linden Wates (Ringwood) LLP	50.0%	(Uxbridge,
Linden Wates (Royston) LLP	50.0%	(Middlesex UB8 2AL
Linden Wates (Salisbury) LLP	50.0%	(
Linden Wates (Walberton) LLP	50.0%	(

Associates

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

	Interest	Registered office
Countrywise Repairs Limited	49.0%	Monson House, Monson Way, Tunbridge Wells, Kent TN1 1LQ
QSH Propco Limited	15.0%	(2 Merus Court,
Quality Social Housing Management Limited	15.0%	(Meridian Business Park,
		(Leicester LE19 1RJ

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 (2017: £1,874,000).

Notes to the Accounts continued

10. Joint ventures and other investments continued

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 £564,000 (2017: £650,000), 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 £144,000 (2017: £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 £242,000 (2017: £259,000) are interest free and loans with a cost of £322,000 (2017: £391,000) were interest free until 2016 when a fee of 1.75 percent became receivable, rising annually by the Retail Price Index plus one percent. A provision of £94,000 (2017: £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 2018	56,538	-	1,874	58,412
Transfer from Wates Developments Limited	-	69,680	-	69,680
Disposals	-	(3,146)	-	(3,146)
At 31 December 2018	**56,538**	**66,534**	**1,874**	**124,946**

The cost of shares in Group undertakings is £75,262,000 (2017: £75,262,000).

The cost of shares in unquoted investments is £1,874,000 (2017: £1,874,000).

On 1 April 2018, Wates Developments Limited transferred its interest in the ordinary share capital of the following companies to Wates Group Limited at cost:

Barratt Wates (East Grinstead) Limited
Barratt Wates (East Grinstead) No. 2 Limited
Barratt Wates (Horley) Limited
Barratt Wates (Lindfield) Limited
Barratt Wates (Worthing) Limited
DWH/Wates (Thame) Limited
Linden (Basingstoke) Limited
Linden Wates (Barrow Gurney) Limited
Linden Wates (Bricket Wood) Limited
Linden Wates (Cranleigh) Limited
Linden Wates Developments (Chichester) Limited
Linden Wates Developments (Folders Meadow) Limited
Linden Wates (Dorking) Limited
Linden Wates (Kempshott) Limited
Linden Wates (Lovedean) Limited
Linden Wates (Ravenscourt Park) Limited
Linden Wates (Ridgewood) Limited
Linden Wates (The Frythe) Limited
Linden Wates (Westbury) Limited
Linden Wates (West Hampstead) Limited
Miller Wates (Bracklesham) Limited
Miller Wates (Chalgrove) Limited
Miller Wates (Didcot) Limited
Miller Wates (Southwater) Limited

10. Joint ventures and other investments continued

On 1 April 2018, Wates Developments Limited transferred its interest in the following limited liability partnerships to Wates Group Limited at cost:

Linden (Battersea Bridge Road) LLP
Linden Wates (Horsham) LLP
Linden Wates (Ringwood) LLP
Linden Wates (Royston) LLP
Linden Wates (Salisbury) LLP

For the year ending 31 December 2018 the following subsidiary companies 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)

A list of the Group's subsidiary undertakings is set out on pages 79 to 80.

11. Stocks

Group	**2018 £000s**	2017 £000s
Raw materials and consumables	**288**	260
Residential land and work in progress under development	**39,918**	29,582
	40,206	29,842

12. Debtors

	Group **2018 £000s**	Group 2017 £000s	Company **2018 £000s**	Company 2017 £000s
Amounts falling due within one year				
Trade debtors	**94,939**	87,817	**-**	15
Amounts recoverable on contracts	**158,097**	160,828	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**41,633**	53,643
Amounts owed by joint ventures and associates	**12,588**	4,834	**8,953**	-
Deferred taxation (note 16)	**2,573**	2,242	**193**	-
Corporation tax receivable	**-**	414	**-**	-
Other debtors	**4,146**	8,623	**2,000**	2,018
Prepayments and accrued income	**7,474**	10,059	**233**	137
	279,817	274,817	**53,012**	55,813
Amounts falling due after more than one year				
Trade debtors	**3,107**	5,273	**-**	-
Amounts recoverable on contracts	**15,198**	15,971	**-**	-
Amounts owed by joint ventures and associates	**2,397**	-	**-**	-
Deferred taxation (note 16)	**9,752**	11,013	**265**	-
Other debtors	**134**	2,356	**-**	2,221
Prepayments and accrued income	**249**	355	**249**	355
	30,837	34,968	**514**	2,576
	310,654	309,785	**53,526**	58,389

Notes to the Accounts continued

13. Creditors: amounts falling due within one year

	Group 2018 £000s	Group 2017 £000s	Company 2018 £000s	Company 2017 £000s
Bank loans (note 14)	**607**	473	**-**	-
Advance payments on account of contracts	**87,111**	114,593	**-**	-
Trade creditors	**89,078**	100,972	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**133,198**	73,917
Amounts owed to joint ventures	**7,657**	3,330	**7,657**	-
Corporation tax payable	**936**	-	**286**	-
Other taxes and social security	**24,017**	22,031	**-**	-
Other creditors	**3,823**	12,559	**-**	-
Accruals	**246,137**	240,754	**538**	56
Deferred income	**3,407**	4,104	**-**	-
	462,773	498,816	**141,679**	73,973

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

	Group 2018 £000s	Group 2017 £000s	Company 2018 £000s	Company 2017 £000s
Bank loans	**25,513**	20,304	**-**	-
Trade creditors	**1,827**	978	**-**	-
Accruals	**15,684**	13,475	**-**	-
Deferred income	**5,289**	4,470	**-**	-
	48,313	39,227	**-**	-

Bank loans include a five year secured term bank loan of £26,120,000 (2017: £20,777,000) which is repayable in instalments of £694,000 (2017: £534,000) per annum with the balance repayable in 2021. It is secured on the freehold investment properties and other assets of a subsidiary, Needspace? Limited, which have a carrying value of £54,246,000 (2017: £50,340,000) and is guaranteed by the Company.

15. Provisions for liabilities

Group	2018 £000s	2017 £000s
At 1 January	3,833	3,881
Utilised during the year	(1,626)	(1,077)
Charged to profit and loss account	6,572	1,029
At 31 December	**8,779**	**3,833**
Provision for net defined benefit scheme deficit (note 21)	30,604	41,473
Total	**39,383**	**45,306**

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 when finalised generally more than one year after the balance sheet date.

16. Deferred taxation

Group	£000s
At 1 January 2018	13,255
Charged to profit and loss account	(849)
Charged to other comprehensive income	(81)
At 31 December 2018	**12,325**

Deferred taxation is provided as follows:

	2018 £000s	2017 £000s
Accumulated depreciation in excess of capital allowances	**836**	648
Deferred tax arising in relation to retirement benefit obligations	**5,203**	7,050
Other timing differences	**6,286**	5,557
	12,325	13,255

	2018 £000s	2017 £000s
Deferred taxation asset under one year	**2,573**	2,242
Deferred taxation asset over one year	**9,752**	11,013
	12,325	13,255

Company	£000s
At 1 January 2018	-
Credited to profit and loss account	458
At 31 December 2018	**458**

Deferred taxation is provided as follows:

	2018 £000s	2017 £000s
Other timing differences	**458**	-
	458	-

	2018 £000s	2017 £000s
Deferred taxation asset under one year	**193**	-
Deferred taxation asset over one year	**265**	-
	458	-

Notes to the Accounts continued

17. 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	2018 £000s	2017 £000s
Financial assets		
Debt instruments measured at amortised cost		
• Loans receivable from joint ventures (notes 10 and 12)	**76,317**	55,945
Equity instruments measured at cost less impairment		
• Fixed asset investments in unlisted equity instruments (note 10)	**1,874**	1,874
• Equity loans (note 10)	**471**	538
Financial liabilities		
Measured at amortised cost		
• Loans payable (notes 13 and 14)	**26,120**	20,777
Interest income and expense		
Total interest income for financial assets at amortised cost	**3,481**	3,119
Total interest expense for financial liabilities at amortised cost	**1,011**	983

18. Called up share capital and reserves

	Number	2018 £000s	Number	2017 £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:

1. 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;
2. 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;
3. Thirdly, second preference shareholders are entitled to fixed non-cumulative dividends at the rate of 7.5 per cent per annum on the amount paid up and in issue regarding these shares, if the post-tax profit of the Group exceeds £9,000,000 for the year in question.

18. Called up share capital and reserves continued

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 cash flow hedge reserve is in respect of the Group share of a joint venture regarding the movement of the fair value of an interest rate swap which has been designated a cash flow hedge for hedge accounting purposes.

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.

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

	2018 £000s	2017 £000s
Group operating profit including joint ventures and associates	**32,290**	32,109
Adjustments for:		
Increase in fair value of investment property	**(3,409)**	(750)
Depreciation and amortisation	**9,032**	8,729
Joint ventures and associates	**(11,456)**	(13,436)
Increase in stocks	**(10,364)**	(10,620)
Decrease in debtors	**7,546**	9,695
(Decrease) in creditors	**(27,031)**	(10,037)
Increase / (decrease) in provisions	**4,946**	(48)
Cash from operations before adjustment for pensions funding	**1,554**	15,642
Adjustment for pensions funding	**(11,304)**	(3,615)
Cash (used in) / generated from operations	**(9,750)**	12,027
Interest received	**3,805**	3,633
Interest paid	**(550)**	(638)
Corporation tax paid	**(3,347)**	(4,005)
Net cash (outflow) / inflow from operating activities	**(9,842)**	11,017

20. Operating lease commitments

	2018 £000s	2017 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	**6,595**	5,751
Between one and five years	**13,880**	14,532
After five years	**4,220**	3,841
	24,695	24,124

Notes to the Accounts continued

21. 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 1 January 2017 and was updated to 31 December 2018 by a qualified independent actuary.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	2018	2017
Discount rate	**2.90%**	2.60%
Rate of compensation increase	**4.20%**	4.20%
Rate of price inflation	**3.20%**	3.20%
Rate of pension increase	**2.10%**	2.10%

Weighted average life expectancy for mortality tables used to determine benefit obligations at year end	2018 Years	2017 Years
Male member age 65 (current life expectancy)	**22.5**	22.7
Female member age 65 (current life expectancy)	**24.5**	24.6
Male member age 45 (life expectancy at age 65)	**23.9**	24.1
Female member age 45 (life expectancy at age 65)	**26.0**	26.1

Components of pension cost/(credit)	2018 £000s	2017 £000s
Recognised in the profit and loss account:		
Current service cost	**133**	48
Net interest cost	**914**	2,007
Past service cost *	**1,300**	-
	2,347	2,055
Recognised in other comprehensive income	**(479)**	(34,493)
Total cost /(credit) relating to defined benefit scheme	**1,868**	(32,438)

Analysis of deferred tax recognised in other comprehensive income	2018 £000s	2017 £000s
Tax cost relating to remeasurement of net defined benefit liability	**81**	5,864
Decrease in tax rate on opening net defined benefit liability	**-**	-
Total tax cost relating to other comprehensive income	**81**	5,864

* On 26 October 2018, the High Court ruled on the Lloyds Bank GMP Inequalities case. In response to this, an allowance of £1.3m has been included at the 31 December 2018 year end to make provision for the estimated costs arising from the judgment. This amount has been included as a cost in arriving at the Group's profit for the year.

21. Pension schemes continued

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

	2018 £000s	2017 £000s
Present value of defined benefit obligations	**282,308**	298,122
Fair value of Scheme assets	**251,704**	256,649
Net liability recognised in the balance sheet	**30,604**	41,473

	2018 £000s	2017 £000s
Movements in the present value of defined benefit obligations:		
At 1 January	**298,122**	328,148
Service cost	**133**	48
Interest cost	**7,619**	8,559
Actuarial gain	**(14,641)**	(28,241)
Benefits paid	**(10,225)**	(10,392)
Past service cost	**1,300**	-
At 31 December	**282,308**	298,122
Movements in the fair value of Scheme assets:		
At 1 January	**256,649**	250,574
Interest income	**6,705**	6,552
Actual return less interest on Scheme assets	**(14,162)**	6,252
Employer contribution	**12,737**	3,663
Benefits paid	**(10,225)**	(10,392)
At 31 December	**251,704**	256,649

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

	2018 %	2017 %
Major categories of Scheme assets as a percentage of the fair value of total Scheme assets:		
Equity securities	**19.4%**	26.5%
Debt securities	**72.3%**	68.1%
Real estate	**2.7%**	2.5%
Cash and cash equivalents	**5.6%**	2.9%
	100.0%	100.0%

Contributions

The Group expects to contribute £8,400,000 to the Scheme in 2019 for deficit reduction contributions.

Notes to the Accounts continued

22. 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 (notes 13 and 14).

23. 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 2018 was £19,973,000 (2017 for contracting work done for and land sold to joint ventures: £7,413,000), which includes £10,159,000 (2017: £3,866,000) that was eliminated on consolidation being the proportion of turnover relating to the proportion of those joint ventures owned by the Group.

Amounts were due to the Group from joint ventures and associates at 31 December 2018 of £81,822,000 (2017: £56,071,000). Additionally at 31 December 2018, the Group owed joint ventures £7,657,000 (2017: £3,330,000). Interest at market rates is receivable/(payable) in respect of loans, which are unsecured, due from/(to) joint ventures.

At 31 December 2018, £2,422,000 (2017: £2,221,000) was due from Myriad CEG Group Limited ('Myriad') and £2,000,000 (2017: £2,018,000) was due from Cornflower Investments Limited ('Cornflower'). The amount due from Myriad CEG Group Ltd has been fully provided in the year to 31 December 2018. 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.

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.

Deena Mattar, a Non-Executive Director of the Company, is a Non-Executive for Grant Thornton, who carried out advisory work for the internal audit function of the Group for fees of £19,000 (2017: £5,000).

The total remuneration for key management personnel for the year was £5,643,000 (2017: £10,093,000).

24. Post Balance Sheet Events

On 11 March 2019 the Group's Revolving Credit Facility was extended to £120m from £60m. The expiry date was extended from 2022 to 2023.

Subsidiary Undertakings

At 31 December 2018

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.

Subsidiary undertaking

Wates Amenity Lands Limited

Wates Built Homes (Blakes) Limited

Wates Built Homes (London) Limited

Wates Built Homes Limited

Wates Built Homes (Retirement) Limited

Wates Built Homes (Southern) Limited

Wates Construction International LLC
(incorporated in Abu Dhabi; ownership interest 49%; registered office – Sultan International Holdings, 20th Floor, Sheikh Sultan Bin Hamdan Building, Corniche PO Box 3486, Abu Dhabi, United Arab Emirates)

Wates Construction Limited*

Wates Construction Services Limited

Wates Developments (Bonehurst Horley) Limited

Wates Developments Limited*

Wates Financial Services Limited

Wates Group Properties Limited

Wates Group Services Limited*

Wates Healthcare Trustee Company Limited

Wates Homes (Bracknell) Limited

Wates Homes (Cambridge) Limited

Wates Homes (Chichester) Limited

Wates Homes (Farnham Common) Limited

Wates Homes Limited

Wates Homes (Oakley) Limited

Wates Homes (Odiham) Limited

Wates Homes (Wallingford) Limited

Wates Homes (Warsash) Limited

Wates (Hungerford) Limited

Wates Interiors Limited

Wates Lancewood Estates Limited*

Wates Limited*

Wates Living Space (Maintenance) Limited

Wates Maintenance Services Limited

Wates Pension Trustee Company Limited

Wates PFI Investments Limited

Wates PFI Investments (Projects) Limited

Wates PFI Investments (QED) Limited

Wates Regeneration (Coventry) Limited

Wates Regeneration (South Acton) Limited

Wates Regeneration (Tavy Bridge) Limited

Wates Second Land Limited

Wates Smartspace Limited

Wates Staff Trustees Limited

Wates (Walberton) Limited

10 St Bride Street Limited*

Brooks and Rivers Limited

G Purchase Construction Limited

GW 217 Limited

Needspace? Limited*

Purchase Group Limited

Purchase Home Improvements Limited

Purchase Homes Limited

Purchase Support Limited

QED Education Environments Limited*

Relocation and Inventory Services Limited

SES (Engineering Services) Limited

Stageselect Limited*

Third Wates Investments Limited

WBH (Financial Services) Limited

Woodside Lands Estates Limited

Woodside Lands Limited

Woodside Lands Management Limited

*Owned directly by Wates Group Limited

Notes to the Accounts continued

Subsidiary undertaking continued

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		Address
Al Ain Schools Joint Venture	24.5%	(	Suite 702,
Al Bateen Secondary School Joint Venture	24.5%	(	Al Fara'a Corporate Office,
British School Joint Venture	24.5%	(	Al Nahyan Camp Area,
		(	PO Box 3486, Abu Dhabi,
		(	United Arab Emirates
American Community School Expansion Joint Venture	24.5%	(	Eastern International LLC,
American Community School Landscaping Joint Venture	24.5%	(	Bel Resheed Tower,
CFB Building Joint Venture	24.5%	(	14th Floor,
Qasr Al Hosn Fort Joint Venture	24.5%	(	Al Buhaira Corniche,
Qasr Al Hosn Fort and NCCC Main Contract Works Joint Venture	24.5%	(	PO Box 1596, Sharjah,
Specialised Rehabilitation Hospital Joint Venture	24.5%	(	United Arab Emirates
Linden Wates (St. Albans) Joint Venture	50.0%		Linden House, Linden Square, Harefield, Middlesex UB9 6TQ

Group Five Year Summary

	2014** £m	2015 £m	2016 £m	2017 £m	2018 £m
Profit and loss account					
Group turnover (plus share of joint ventures' and associates' turnover)	1,050	1,272	1,532	1,622	**1,601**
Group turnover	1,002	1,207	1,442	1,530	**1,501**
Operating profit (excluding share of joint ventures' and associates' interest and tax)	24.7	31.5	37.3	38.5	**39.0**
Profit before taxation (and excluding share of joint ventures' and associates' tax)	24.1	30.3	35.5	35.7	**35.9**
Balance sheet					
Net assets	86.5	93.3	70.7	119.4	**135.8**

**2014 restated in accordance with Financial Reporting Standard 102

Locations

Head office

Wates House
Station Approach
Leatherhead
Surrey
KT22 7SW
Tel: 01372 861000

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

Kendal
Suite 9
Helm Bank
Kendal
Cumbria
LA9 7PS
Tel: 015395 61215

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

Wakefield
Unit 8
Calder Park
Wakefield
WF4 3BA
Tel: 01924 240190

Warrington
Building 1
Clearwater
Lingley Mere Business Park
Warrington
Cheshire
WA5 3UZ
Tel: 01925 791 100

SES Engineering Services

Birmingham
The Podium
Bank House
8 Cherry Street
Birmingham
B2 5AL
Tel: 0121 616 4350

Bristol
190 Aztec West
Park Avenue
Bristol
BS32 4TP
Tel: 01454 627150

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

Manchester
Ground Floor
The Royals
353 Altrincham Road
Sharston
Manchester
M22 4BJ
Tel: 0161 945 5589

North Shields
Centre for
Advanced Industry
Coble Dene
Royal Quays
North Shields
NE29 6DE
Tel: 0191 258 6627

York
Moorside
Monks Cross Drive
Huntington
York
YO32 9LB
Tel: 01904 437340

York Prism
Unit 2
New Lane
Huntington
York
YO32 9PT
Tel: 01904 673272

Wates

Head Office

Wates House
Station Approach
Leatherhead
Surrey KT22 7SW

Tel: 01372 861000