ANNUAL REPORTS & ACCOUNTS 2023

Wates

2023 AT A GLANCE

Wates

GROUP FINANCIALS

£2.10bn
STATUTORY TURNOVER[1] (UP 17.6%)

£2.18bn
TURNOVER[3] (UP 15.3%)

£138.0m
NET CASH

£44.9m
STATUTORY PROFIT BEFORE TAX[2] (2022: £31.5m)

£46.2m
PROFIT BEFORE TAX[4] (2022: £33.7m)

£8.54bn
FORWARD ORDER BOOK (UP 2.2%)

£2bn
WORK WON

£387m
TOTAL TAX CONTRIBUTION

[1] Group statutory turnover excluding the Group's share of joint ventures and associates' turnover.

[2] Group statutory profit before tax including share of tax of joint ventures and associates.

[3] Group turnover including the Group's share of joint ventures and associates' turnover.

[4] Group profit before tax excluding share of tax of joint ventures and associates.

PEOPLE

£225m
SOCIAL VALUE GENERATED[5]

£7m
SPEND WITH SOCIAL ENTERPRISES

4321
EMPLOYEES (AVERAGE IN 2023)

[5] Figure pending external social value audit and may be subject to change.

BUILDINGS

5,007
NEW HOMES BEING BUILT

500,000
SOCIAL HOUSING PROPERTIES MANAGED AND MAINTAINED

459
SITES UNDER CONSTRUCTION

793
COMMERCIAL BUILDINGS WHERE WE MANAGE FACILITIES

HEALTH & SAFETY

0.039
ACCIDENT FREQUENCY RATE (AFR) DOWN 28% OVER 7 YEARS

AFR – number of RIDDOR reportable injuries / number of hours worked x 100,000

LOST TIME INJURY RATE DOWN **65%** IN 7 YEARS

LTIR includes all injuries, including RIDDORs that result in more than one day away from work, not including the day of the incident, ie number of Lost Time Injuries / number of hours worked x 100,000.

HEALTH AND SAFETY PERFORMANCE
ACCIDENT INCIDENT RATE
76% BELOW INDUSTRY AVERAGE

SUSTAINABILITY

91.3%
OF ELECTRICITY PURCHASED FROM RENEWABLE SOURCES

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CHAIRMAN'S STATEMENT

Delivering results for stakeholders while upholding our values

TIM WATES

In my first year as Chairman of the Wates Group, I am delighted to report continued strong performance across the business, with some exciting opportunities ahead of us. Thanks to a solid strategy and attention to fostering relationships with clients and the supply chain, we have continued to grow the business, with turnover reaching £2.18bn and pre-tax profits of £46.2m.

In 2023, we saw a lessening of inflationary pressures in the economy as a whole, though many other companies in the construction sector continued to feel the effects of economic turbulence from previous years. In this context, supply chain resilience is vital, and at our annual Supplier Conference I saw a real collaborative approach in action.

The built environment sector has also been facing disruption from the introduction of a new building safety regime in the UK. New regulations affect not only high-rise residential properties, they also require new ways of working and collaborating with the supply chain to ensure competence and quality. The phased implementation of the regime has meant periods of uncertainty and delays in some work, but we are optimistic that these disruptions have been temporary.

Climate change continues to be at the forefront of our minds. Our sector must be a leading light when it comes to reducing carbon emissions, and the Group remains on track with our environmental sustainability plan and our progress towards becoming a net zero carbon operator. In November 2023, our long-term emission reduction target was externally validated by the Science Based Targets initiative (SBTi), giving us a clear end goal when it comes to meeting our carbon pledges. Progress throughout the year has been solid, including investment into an ongoing programme to replace diesel-powered vans in our commercial fleet with electric vehicles.

Left to right: Sir James Wates CBE, Charles Wates, Andrew Wates, Timothy Wates and Jonathan Wates.

I am particularly proud of the legacy we leave in the communities where we operate – improving people's lives through the places we help create and the social value generated through working with the community.

The success of our mission to inspire young people to take up a career in the built environment is evidenced by the fact that we have already exceeded our target of engaging with 25,000 children and young people from the communities where we work by 2025. We have now set up a new target of reaching 100,000 young people by the end of 2025, with the aim of building the next generation of skilled workers.

Tax paid to HM Treasury is one part of the value we create, and in this annual report we continue our tradition of shining a spotlight on both taxes that the company bears itself and those we collect on behalf of the Treasury.

Wates Group paid more than £44m in taxes, including corporation tax, employment taxes, irrecoverable VAT, and other taxes. When combined with taxes we collect on behalf of HM Government such as VAT payments and employees' income tax, our activities generated revenue of £387m for the Treasury.

It is a privilege and an honour for me to have assumed the role of Chairman of the Wates Group in May 2023.

I and my fellow shareholders remain committed to carrying forward the family ethos that business, done well, is a force for good in society.

Eoghan O'Lionaird joined us as CEO in February of 2023, and I have been delighted that he shares my belief in the business. His keen business mind and fresh perspective has given the Board additional cause for optimism. We will continue to closely work together brightly and ambitiously to seize opportunities and create long-term, sustainable value for all our stakeholders.

We continue to place significant emphasis on maintaining strong corporate governance practices, in line with the Wates Principles which bear our family name.

We have had two new Non-Executive Directors (NEDs) join us in the past year: Rachel Addison has nearly 30 years of experience in finance and operations and chairs the Group's Audit Committee, overseeing financial reporting, processes, and regulatory compliance. Liz Reilly has more than three decades of experience in organisational design and development, talent management, reward and cultural transformation in large-scale UK businesses and chairs the Remuneration Committee.

Whilst we have some work still to do on broadening diversity across the business, these appointments have also helped improve the gender balance on our Board.

> "I and my fellow shareholders remain committed to carrying forward the family ethos that business, done well, is a force for good in society."

Jeremy Newsum stepped down from the Board in 2023 after five years as a NED, four of which he served as Senior Independent Director (SID), and I offer him my heartfelt appreciation for his support and guidance. Joe Oatley, who was named Deputy Chairman in May 2023, takes over as SID.

My thanks also go to Sir James Wates CBE, who had completed ten years as Chairman before passing the baton to me. He remains on the Board, and I wish to highlight his immense contribution to the business, and indeed to the sector more broadly, during the decade he served as Chairman.

Tim Wates

TIM WATES
Chairman

CHIEF EXECUTIVE'S REVIEW

Looking back on a year of sustainable growth

EOGHAN O'LIONAIRD

> Valuing tradition does not stand in the way of Wates being an innovative business.

> Our story in recent years has been one of sustainable, profitable growth, and that is a story we expect to be telling into 2024 and well beyond. We see opportunity across the UK's built environment sector, where our expertise can help deliver the safe, sustainable and low-carbon buildings and infrastructure our country so badly needs.
>
> **EOGHAN O'LIONAIRD**
> Chief Executive

My first year as Chief Executive at Wates Group has been a challenging yet thoroughly rewarding one.

I was first drawn to the Group because of our shared values and passionate belief in business as a force for good in society.

Indeed, I am delighted that my first year has coincided with that of our new Chairman, Tim Wates, whose appointment continues a strong tradition of family leadership on the Board. I also want to pay tribute to Sir James Wates CBE, whose decade as Chairman came to an end in 2023.

Valuing tradition does not stand in the way of Wates being an innovative business, prepared to adapt and transform to help tackle the seismic challenges that we face, both as an industry and as a society. Indeed, we have always looked to be at the forefront of positive change within our industry – and that is an approach we maintain today.

In 2023, we entered our 126th year of doing business. Over the decades, we have developed and maintained the resilience to survive and thrive despite the many economic and geopolitical challenges we have faced.

Today, we must acknowledge the human tragedy of conflicts around the world, not least in Ukraine and Gaza, while remaining vigilant about how they are impacting the political, economic and business worlds.

Despite the numerous headwinds that we have faced, our story in recent years has been one of sustainable, profitable growth, and that is a story we expect to be telling into 2024 and well beyond. We see opportunity across the UK's built environment sector, where our expertise can help deliver the safe, sustainable and low-carbon buildings and infrastructure our country so badly needs.

Our business will continue to focus on our key services of construction, residential development and property maintenance. We also incorporate an increasingly sophisticated group of specialist businesses focused on engineering, offsite manufacturing and serviced workspaces.

And we also strengthened our leadership team in 2023 with three key appointments that underline our commitment to sustainability, quality and effective and open communication.

I am delighted to welcome Cressida Curtis as Group Sustainability Director and Rosie Toogood as Chief Supply Chain and Quality Officer who join our Executive Committee at the start of 2024.

In November 2023 we appointed Anna Mann as Group Communications and Marketing Director, a key role in ensuring we engage effectively with our broad spectrum of stakeholders.

These three appointments have an additional benefit of positively influencing our gender balance at our most senior level within the organisation.

OUR STRATEGIC PRIORITIES

INCLUSION & DIVERSITY
See page 26.

INNOVATION
See page 32.

CUSTOMERS
See page 13.

QUALITY
See page 22.

SAFETY
See page 18.

PEOPLE
See page 24.

SUSTAINABILITY
See page 80.

PROFIT
See page 108.

As we enter 2024 we are about to launch our reinvigorated Group purpose to reflect where we are as a business today and our aspirations for the future. Our new purpose statement is: **Reimagining places for people to thrive**. This encapsulates our belief that the places where we live, work, and play can have a profound impact on our lives. Through our work we are able to help build resilient and prosperous communities, drive social mobility, and find new and innovative ways to address climate change.

At Wates, we are proud of our roots as a family company and believe that the values on which the business was founded still hold true today. This refreshed purpose will guide all our important decisions helping us to build on the Wates legacy for generations to come.

During 2023 we have also been working on evolving our strategy, with the aim of building on everything that is successful within our business, while exploring accelerators for profitable and sustainable growth for the years ahead. This new five-year strategy was signed off by the Group Board in November and is being activated in 2024.

BUILDING A SUSTAINABLE FUTURE, TOGETHER

See Sustainability Report on page 80

Wates is passionately committed to becoming an ever more sustainable organisation, but we know that passion alone is not sufficient to bring about real change.

That's why in 2020, we launched robust environmental targets, becoming one of the first organisations in the built environment sector to commit to being carbon neutral from Scope 1 and 2 emissions and setting formal near-term and net zero targets under the Science-Based Targets initiative (SBTi).

In 2022, our near-term science-based target of halving our Scope 1, 2 and 3 emissions by 2030 against a 2019 baseline was validated by the SBTi. In 2023, when our net zero by 2045 target was also validated, we became one of only three UK Tier 1 contractors to hold both a near-term and net zero Science Based Target.

We have worked hard to embed practices and behaviours that help us positively influence the environment, with marked success in many quarters. At every stage of our endeavour, we deeply consider the long-term environmental impact of the projects we work on and the buildings we design, build and maintain for future generations. Our policies are aligned to the United Nation's Sustainable Development Goals (SDGs), designed as a blueprint to achieve a better and more sustainable future for all.

Our progress in this area is addressed in detail within our sustainability report, which begins on page 80 of this annual report.

£2.18bn	£46.2m	£138m	£8.54bn
TURNOVER* (UP 15.3%)	PROFIT**	NET CASH	FORWARD ORDER BOOK (UP 2.2%)

STRONG FINANCIAL RESULTS

Nothing we do would be possible without a stable financial platform. That is why we were pleased to effectively navigate through some challenging headwinds in 2023 to produce a solid set of results.

Our pre-tax profit for the year was £46.2m up from £33.7m in 2022. Our resilient financial position was evident from a net cash position of £138.0m at the year end and a forward order book of £8.54bn, an improvement of 2.2% on the previous year.

These figures build on a strong performance through the Covid years, when we managed to deliver consistent profits despite a truly unprecedented set of circumstances. Once again, all our major operating segments significantly contributed to the Group's overall profit in 2023.

While turnover is not the sole focus for Wates as profit is a better gauge of how we are performing. Nevertheless, we once again achieved record revenue in 2023, bringing in £2.18bn through the year. This shows both the scale of our ambition and the level of trust our customers have in us to deliver on some of their most challenging and strategically important projects.

Taken together, these results demonstrate our ongoing financial resilience. A healthy order book and strong cash balance, underpinned by undrawn bank facilities totalling £90.0m at 31 December 2023, allow us to have confidence that we can invest where necessary. This means we can deliver the best service for our customers and are well positioned to take on the challenges of the future.

> Taken together, these results demonstrate our ongoing financial resilience.

* Group turnover including the Group's share of joint ventures and associates' turnover.

** Group profit before tax excluding share of tax of joint ventures and associates.

BUSINESS UNIT PERFORMANCE

In 2023, all our major operating segments played a part in our positive overall performance as a Group.

DEVELOPMENTS

It has been another successful year for our Developments Group. Turnover across the Developments businesses rose by 15.9% on the previous year to £146.9m, a record-breaking level. This was despite a weak economy and pressure on housing, land and commercial rent markets, as well as increasingly challenging planning procedures.

An exceptional land trading performance has underpinned the business over the past year, with five sites sold to either joint venture partners or on the open market in 2023. Our planning team also maintained its impressive planning consent success rate of 98% since the offering was first established in 2005. And our flexible workspace offering, Needspace, also ended the year on a high, with 100% occupancy at its Bastwick Business Centre in Clerkenwell, and 86% occupancy at Clapham North Arts Centre.

CONSTRUCTION

The businesses within our Construction Group delivered a robust performance for the year, despite the inflationary pressures experienced across the industry.

Several high-profile projects concluded in the year, including the Lucent building, which transformed the disused area behind the iconic lights at Piccadilly Circus, as well as 11 & 12 Wellington Place, in Leeds, rated one of the UK's most sustainable office buildings.

We made good progress on two of our mega schemes: the UK's first electric car battery gigafactory that we are building in Sunderland for AESC UK; and British Land's Canada Water development, which will be the first new town centre in London for 50 years. This trend in increasingly large, complex projects was behind our decision to create a Major Projects division during the year.

Partnerships with Government bodies also remained strong, with work progressing for the Department for Education (DfE)'s Modern Methods of Construction (MMC) schools programme. We also received the Collaborative Leadership Award from the Institute of Collaborative Working for our work with industry partners on the Ministry of Justice's New Prisons Programme.

SES Engineering Services (SES) continued to grow its reputation for technical, mechanical and engineering innovation and expertise, culminating in a Specialist Contractor of the Year award from Building Magazine. A reorganisation during the year saw the business align with the regional structure that already existed in Construction, as well as the creation of a new division for specialist services, incorporating the offsite facility Prism.

PROPERTY SERVICES

We have again seen solid performance in 2023 from the three operations that make up our Property Services business, and there is a strong pipeline of work to take us into 2024 with a record forward order book of £2.1bn.

Revenue in our Living Space housing maintenance business grew by 23.7% year-on-year, and the team has a record order book of £1.7bn. We are one of the leaders in the home retrofitting market, completing enhancements on more than 2,000 properties, with a further 3,000 in our pipeline. We also helped our customers secure a further £100m in funding from the Social Housing Decarbonisation Fund (SHDF) Wave 2.1.

Our facilities management (FM) business thrived during a year of consolidation, with revenue of £52m, an increase of 19% compared to 2022. The majority of this growth is through contract renewals and extensions, including our maintenance partnership with JLL, an £8m contract that has now extended across almost 150 sites, from 84 sites in 2022.

Smartspace, our fit out and refurbishment business, had another good year, producing a turnover of £122m. This reflects the ongoing demand for expert, high-quality fit out and refurbishment work to keep pace with the changing nature of how people work, live and do business.

RESIDENTIAL

In our Residential business, despite a difficult operating environment and ongoing economic headwinds, 2023 was still a year of growth with 276 homes delivered, and a turnover of £323m.

The business faced a number of market and regulatory pressures in 2023, including cost inflation, the application of new building regulations which delayed getting projects on site, and the implications of complying with the requirements of the Building Safety Act.

New contract wins included: homes on the Wembley Housing Zone in north London, the Gascoigne East Phase 3B regeneration project in Barking, east London, and the delivery of new transitional modular homes at a former gas works site in Cardiff – a project which could help to alleviate the housing crisis if scaled up and applied in other locations.

DELIVERING VALUE FOR OUR STAKEHOLDERS

When taking business decisions, we strive to consider fully the implications for our core stakeholders. These include our current and future employees, customers and partners, our supply chain, shareholders, the local communities in which we operate and wider society. Satisfying and even delighting these groups is fundamental to our long-term success and will always be a priority for the Board and myself.

CURRENT AND FUTURE EMPLOYEES

Our responsibility and consideration for our employees goes far beyond enabling people to earn an income. We are committed to providing a safe, healthy working environment and offer fair and competitive rewards and benefits packages, as well as family friendly employment practices.

To deliver the best work for our customers we must foster an environment in which everyone can flourish and bring their whole selves to work. That is why I am particularly pleased that we were recognised as a Top 50 Employer for Gender Equality by the Times and were named as a finalist in the Menopause Workplace Excellence Awards.

It has been hugely motivating to see the level of engagement for debate and discussion within our business as we work together to drive forward our inclusion agenda. In September, for example, as part of our Inclusion Month more than 1,800 colleagues took part in workshops around the theme of 'allyship'.

We are also determined to help our people to grow, learn and develop throughout their careers. This is not only so we can retain our position as an employer of choice, but also to do our part to ensure the next generation of workers is suitably skilled to tackle the exciting opportunities and immense challenges they will face.

In 2023, we successfully implemented a new Environmental Sustainability programme for business leaders and continued the ongoing rollout of our Customer Excellence programme.

We also continue to prioritise health and safety. Our safety record has been outstanding for a number of years, and while we maintained our position as having one of the very lowest RIDDOR AIR rates in the sector, in 2023 we saw an uplift in incidents, some serious in nature. We will be maintaining the sharpest focus on the health, safety and wellbeing of our people and everyone who works on our sites as we go into 2024 and beyond.

CUSTOMERS AND PARTNERS

Delivering on our promises, providing an outstanding customer experience, and behaving in an ethical and transparent way are how we do business at Wates. In 2023, we strengthened existing customer relationships and developed new ones, maintaining a balanced portfolio between the public and private sectors.

Customers work with us because they know they can rely on our technical excellence, site safety, integrity, and commitment to the highest quality standards. We also believe we stand out against our competitors for our relentless focus on bringing economic, social, and environmental benefits to the communities in which we work.

As experts in our chosen fields, we help our customers to remain compliant amidst a complex and dynamic regulatory environment. Our fire safety team, for example, is helping our clients ensure their properties are safe for residents in line with the latest Building Safety Act specifications.

We also help our local authority and housing association partners by providing expert technical and commercial advice, for example with our work to secure funding from the Social Housing Decarbonisation Fund (SHDF) Wave 2.1, to install energy saving measures in homes through our Wates Retrofit offering.

We adopt modern methods of construction (MMC) and other technical innovation, to help our clients achieve greater efficiency and deliver more sustainable outcomes. This includes increasing the use of our own offsite manufacturing facility, Prism.

Our consistently high standard of delivery has been recognised with several customer awards during the year. These include a collaborative leadership award for our work with the Ministry of Justice, a sustainability award from HMRC, and a What House? best partnership award for our work with Orbit Homes.

Wates Residential and Orbit celebrate opening a development of 320 new homes in Erith, Kent

SUPPLY CHAIN

We are only able to deliver for our customers thanks to the partnerships we have developed and maintained with our supply chain over many years.

Our industry continues to operate in a difficult economic environment, with high inflation and cost pressures buffeting the built environment sector. That is why it is more important than ever to ensure we have an ethical, sustainable and resilient supply chain.

THIS YEAR, WE HAVE SPENT MORE THAN **£7m** WITH SOCIAL ENTERPRISES

In 2023, the UK Insolvency Service reported the highest rate of insolvencies since the financial crisis, and within that worrying statistic the construction sector was the worst hit. The repercussions of this have had a substantial impact on the sector, with supply chains looking more unstable than ever. However, we have been able to navigate through this period thanks to a strong balance sheet and our excellent relationships with key supply chain partners.

The partnership approach we take with our supply chain has stood us in good stead as we collaborate on new working practices to ensure safety, compliance and quality in light of the introduction of the Building Safety Act in 2022, made partly in response to the Grenfell Tower tragedy.

We are focused on building strong, collaborative relationships with our suppliers and invest in them by:

- Supporting their training to meet our environmental goals through investment in the Supply Chain Sustainability School
- Supporting our suppliers to meet the high standards of quality and compliance demanded by our customers
- Paying our suppliers on time – both Wates Construction Limited and Wates Property Services Limited paid 98% of their invoices within 60 days.

Our 2023 Supplier Conference


Aspect Place, Cardiff

LOCAL COMMUNITIES AND THE WIDER SOCIETY

Without doubt, the greatest threat we face as a society is climate change. The built environment is responsible for 25% of all UK greenhouse gas emissions – rising to 40% when transport-related emissions are included, and so we as an industry have an obligation to do everything we can to address this threat.

As a responsible business in a sector that builds critical assets for our society, we are focused on reducing emissions both for ourselves and our customers. This was recognised in late 2023 when the Science Based Target initiative approved our long-term net zero emissions target to 2045, putting us five years ahead of the UK's 2050 net zero target.

Our commitment to pushing the sector towards a net zero future can be seen across our entire portfolio of work. In Residential, for example, our partnership with Cardiff Council is creating new homes built to the Passivhaus low-energy building standard. In Construction, our work at MEPC's 11 & 12 Wellington Place has led to it being referred to as 'Yorkshire's most sustainable building'. In our Property Services division, we delivered close to £40m of decarbonisation work.

These are just a few examples, you can see more within our full sustainability report on page 80.

I am a firm believer in the Wates philosophy that the work we do can help create a better world. We take the creation of social value into consideration across our business decisions, not simply to respond to customers' tender requirements, but more importantly to support the development of a more sustainable and inclusive society.

In 2023, our projects generated £225m* in social value. We also built on our three central commitments: to inspire and educate young people about a career in the built environment sector; to challenge inequality; and to support and scale up social enterprises.

This year, we have spent more than £7m with social enterprises, bringing the total spend since 2020 to £31m, far exceeding our original target of £25m by 2025. We've now extended our target to £36m by the end of 2025. I got to see the benefit of this spend a number of times during the year, including when I attended an event celebrating some of the social enterprises that we work with through our ASSETS (Assisting Social Enterprises to Succeed) programme. It was uplifting to see how these entrepreneurs are tackling community-based issues and creating positive change in society – and gratifying to see how we are helping them do that!

Many communities across the UK are experiencing challenges associated with economic pressures, and we are committed to helping promote more equitable growth wherever possible. Some of our largest construction projects are located outside of London and the south-east, and we are investing in the local economies where we operate by offering apprenticeships and local employment opportunities, and by using local suppliers. The scale and ambition of our project in Sunderland for example, where we are building a 15.8 GWh factory for AESC to manufacture electric car batteries, is expected to create over 1,000 jobs in the North East in the first phase with potentially many more to follow.

SHAREHOLDERS

The Wates family has provided unstinting support and guidance to the executive, not least through the last 10 years of Chairmanship from Sir James which has now been passed on to Tim Wates.

As a family-owned business, we are not driven by short-term shareholder demands. This allows us to make decisions which are in the long-term interests of the business and society as a whole.

I know that the Wates family is committed to handing an even stronger and more sustainable business over to the next generation. This commitment drives all our investment decisions and allows us to achieve progressive earnings growth and to partner with customers to deliver the services that offer the best possible value for money.

I end 2023 confident that as a purpose-led business with strong values and ambitious goals, we can deliver on our strategy, continuing to evolve and strengthen to meet the needs of all our stakeholders for many years to come.

EOGHAN O'LIONAIRD
Chief Executive

* Awaiting audit.

REIMAGINING PLACES FOR PEOPLE TO THRIVE

Our purpose

Where we live, work, and play can have a profound impact on all of our lives. That's why the Wates purpose is **reimagining places for people to thrive**.

We have a long-standing commitment to safety, quality and social value. In the face of growing pressures on our communities and our planet, we want to do more. Therefore, from how we run our business, to how we develop, build and maintain spaces, we're making three promises – to create thriving places, a thriving planet and thriving people.

We will build on what we do best. Doing the right thing by people and putting them at the heart of how we reimagine the built environment.

OUR PROMISES...

THRIVING PLACES

Working with customers, partners and communities to create places that are more sustainable, inclusive, and full of opportunity.

THRIVING PLANET

Protecting nature and taking action on climate change by collaborating and innovating with our partners.

THRIVING PEOPLE

Creating opportunities and relationships so that everyone who works for and with us feels included, invested in and treated with care.

SAFETY, HEALTH AND WELLBEING

WE'RE SAFER TOGETHER ZERO HARM

The safety of our people has always been – and remains – our number one priority

We are committed to ensuring the health, safety, and wellbeing of our employees, partners, and supply chain. Our dedication to these core principles remained steadfast throughout 2023 and is ongoing.

Since the Zero Harm initiative was first introduced in 2016, we have instilled it as a defining culture across the Group, while acknowledging that there is always more to do where safety is concerned.

We have delivered an industry leading performance in health and safety for many years, however from 2022 to 2023 dangerous incidents increased, as did low severity injuries. Fortunately RIDDOR injuries remained flat in the period.

To put this into context, we have one of the very lowest RIDDOR AIR rates, at 72, compared to the HSE rate for the construction industry of 296 and 176 reported by the industry representative body Build UK.

In comparison with Zero Harm baseline figures set in 2016, we have reduced RIDDOR injuries by 41%, lost time injuries by 79% and first aid injuries to the workforce by 64%.

Overall, RIDDOR and lost time injuries and RIDDOR Dangerous Occurrences have reduced by 69% since the Zero Harm strategy was first launched in 2016.

Our commitment to safety has driven improved results in many areas of the business. Our fit out business recorded more than 2,000 days of work without a lost time injury, while our residential division worked for circa 1,200 days since the last RIDDOR reportable injury. Our FM business has also operated in excess of 1,900 days without a lost time injury achieving zero RIDDOR injuries since operating as part of the Wates Group.

In 2022, we implemented our 'three simple steps' approach across the Construction Group to further embed a safety-first attitude. The approach went Group-wide at the start of 2023 and aims to guide our employees towards our Zero Harm goals.

The steps are:

Step out and see the view:
Encouraging workers to pause and evaluate their surroundings so they identify potential safety hazards with fresh eyes.

Step up and make things clear:
Ensuring that Wates' visual standards are prominently displayed, well understood, and consistently adhered to.

Step change and lead the way:
Focusing on behaviour, this step empowers our staff to lead by example, transforming attitudes and behaviours towards safety.

CASE STUDY
HANDHELD CIRCULAR SAW

Think tank set up to design out device use

Every one of our individual business units treats safety as a top priority, but how we find solutions to safety issues varies according to our work.

Within our Living Space business, a key focus has been designing out the use of potentially dangerous handheld circular saws on all projects in our Central and North regional teams.

We set up a 'think tank' of leaders from across the region in April 2023 to establish a strategy on how to do this, during which time we suspended use of these saws and invited suggestions of safer alternatives from our supply chain partners.

Through this work, alternative tools were introduced on several projects, and where handheld circular saws were considered the safest option, we instigated a permit to work system to give more control over their use.

The team engaged with a number of tool manufacturers throughout the process, which has led to ongoing work with Hilti who have offered its equipment with 'SensTech' technology that ensures tools can only be used with both hands holding them in the correct position. Hilti do not currently supply SensTech Circular Saws as this technology only exists in their range of grinders, however we continue to work with them in developing a business case for this to be included in their product development plans for circular saws.

CASE STUDY
GYROSCOPIC LIFTING DEVICES

Safer crane lifting operations

In our Construction Group, we have been researching a range of safer options for our crane lifting operations to reduce risk for workers on the ground.

This work has now seen us pilot gyroscopic lifting devices on our landmark Lucent project in Piccadilly Circus, central London. These gyroscope-controlled devices have two important features: they can change the direction of the lifted material manually; and they can hold the material without external factors, such as wind, changing their direction.

Gyroscopic remote control makes taglines obsolete, reducing many of the traditional safety challenges the industry has faced around lifting, particularly when there are tight access points or space is limited. The use of taglines can result in a higher risk of injury, so by using gyroscopic control we are reducing that risk.

These devices also allow us to operate in windier conditions, and so can increase productivity while simultaneously enhancing our workers' safety.

Meanwhile improved visibility will decrease the necessity for 'blind lifting' and so increase safety on site, while reducing the time taken for operators to reach their cabins will improve efficiency.

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QUALIFIED MENTAL HEALTH FIRST AIDERS

SICKNESS ABSENCE DOWN 17%

MENTAL HEALTH AWARENESS

At Wates, we are increasingly aware of the impact poor mental health can have, not only on the individuals who make up our workforce, but on us as a company too. That is why we take mental health incredibly seriously and, particularly in recent years, have taken steps to help our people improve their resilience for mental wellbeing.

Our work in 2023 was focused in large part on normalising the topic of mental health so that we can create a psychologically safe space in which people can discuss their experiences and, when necessary, seek support. With this in mind, towards the end of the year we launched our sixth employee led 'Inclusion Network', based this time around the subject of mental health.

We marked our progress in this area by receiving a 'Silver' award for the first time in mental health charity Mind's 'Workplace Wellbeing Index Awards', having gained a bronze award in 2019. Feedback from the charity showed that our colleagues feel encouraged to be open about mental health issues and feel able to speak up when they are going through challenging times.

The award also recognised the increased awareness and participation driven by our group-wide wellbeing campaigns, such as our 'Fitness Fortnight' and 'Men's Health Week'.

We know we still have a long way to go in this area. Our rate of absenteeism due to mental health related causes did not show significant improvement in 2023. In the 12-month period we recorded 3,634 days of absenteeism, with 66 cases recorded as work-related.

However, since introducing 'work-related' as a category in our absence reporting we are seeing much more honest reporting of mental health issues with our people feeling able to be open and honest about their reasons for absence. While we would like to see fewer mental health related absentee days, it would be much worse, in our view, if people did not feel comfortable and confident enough to report them.

> "Creating an environment in which talking about mental health becomes the norm, rather than the exception, is more than just about changing attitudes."

We continue to train more Mental Health First Aiders across our businesses, and in 2023 the network grew to 262 members – 6.1% of employees.

Creating an environment in which talking about mental health becomes the norm, rather than the exception, is more than just about changing attitudes; it's important that we provide the tools for our people to be able to do it. We urge people to have conversations about their wellness and mental health, and everyone is encouraged to complete a personal MyWellnessPlan as a basis for opening discussion with their manager.

Our partnership with Peppy Health enables us to offer easy access to a wide range of support services through a digital health app. This partnership has been a real enabler of better mental health for our employees, and over the past year more than 914 employees or their family members registered for the app.

We have also seen continued uptake of our 'Bouncing Back' resilience training programme, which launched in 2021. So far, we have trained 2,446 people, with 938 of those completing their training in 2023.

In 2023 we committed to training 40 more of our people in Applied Suicide Intervention Skills to support the communities we work in.

CASE STUDY
THE ZEN PROJECT

Supporting the community during Children's Mental Health Week

Our commitment to improving mental health does not just apply to our own people, but also to the communities in which we work.

To mark Children's Mental Health Week in February 2023, we sponsored social enterprise The Zen Project, which takes a converted American school bus, known as the Zen Den, on tours of schools across the country to deliver mindfulness activities.

This year's tour saw the bus visit 10 schools – including Hartshill Academy in Nuneaton, which we are redeveloping for the Department for Education – and reach 1,000 students.

> "The tour has been a huge success – we estimate that we're reaching around 1,000 children and young people, and this filters through to their families and friends. The support from Wates Group for our project has been fantastic and we're really excited to be collaborating with such an impressive organisation that places so much importance and care in their work with the community."
>
> **KAYE SMITH**
> Co-founder of The Zen Project

Delivering mindfulness to schools during Children's Mental Health Week with the Zen Project

QUALITY

By never resting on our laurels we can constantly strive for improvement

Quality remains one of our key priorities, both in terms of the work we do and how we evaluate that work.

Our commitment to driving quality throughout all our activities is underlined by our creation of a new role of Chief Supply Chain and Quality Officer, and we were delighted to appoint Rosie Toogood to this Executive Committee position, from February 2024.

Our Quality Assurance team plays a crucial role holding all areas of our business to our historically high standards. This responsibility has taken on even more significance following the 2022 passing of the Building Safety Act (see right).

OPERATING FRAMEWORKS

The Quality Assurance team is responsible for the maintenance of our Operating Frameworks, which establish best practice across all Wates Group business activities.

Our Operating Frameworks are designed to be fluid and agile so they can swiftly adapt to changes within the sector. In 2023 we introduced several improvements and updates to our Operating Frameworks, underlining our commitment to continual improvement. Among the most significant changes was the introduction of quality check sheets for our main trades, detailing the minimum checks required before site installation activities can commence. We also introduced the Wates Ergonomic Risk Tool.

With fire prevention rightly high on the agenda for the whole construction industry, we were pleased to update our hot works permit to align with the Joint Code of Practice (JCoP) for Fire Prevention on Construction Sites, which was revised in January 2023.

We also put in place several updates and improvements during the year. These included an update to our data protection processes and record retention schedule.

We also introduced an improved Trade Quality Plan and associated guidance for our supply chain partners. Further documentation and templates to support our ISO 44001 Collaborative Business Relationship Management certification were also introduced.

We can also report improved integration of our environmental processes with our overall project delivery and environment strategies.

BUILDING SAFETY ACT

We established a Building Safety Act working group in 2022. This group is divided into sub-groups covering specific elements of the Act, helping us work on how to incorporate the provisions of the Act into our Operating Frameworks so we can ensure full compliance.

The Quality Team is a hugely important part of this working group, drafting several Operating Framework documents to better enable compliance with the Act. These include documents on topics such as mandatory occurrence reporting, change management, and 'The Golden Thread'.

We have also sought, and received, external assurance and advice on Building Safety Act compliance from industry experts.

In February 2023, we hosted a live streamed interview with Dame Judith Hackitt, author of the Building a Safer Future report in the aftermath of the Grenfell Tower fire. This event was titled '*Taking a Stand for Quality*' and emphasised how the Building Safety Act must act as a catalyst to ensure a sector focus on quality and ethical leadership.

Dame Judith Hackitt

PERFORMANCE

We completed the full planned 2023 programme of 27 days of external audits covering ISO 9001, 14001, 44001 and 45001 across the Group, ensuring our continued certification to these standards.

We were engaged on significant defect reduction work during 2023. We began to roll out a refreshed training programme focusing on the consideration of defect risk prior to starting work, with supply chain partners joining Wates teams in the sessions. In addition, we piloted training modules aimed at senior leaders and site managers, provided by the Get It Right Initiative (GIRI).

Our business unit quality team members also completed their training as principal investigators and can now lead on the investigation of major defects.

To underline this commitment to defect reduction and other quality assurance issues, we distribute quality bulletins to all business units to help embed lessons learned through this training.

Separately, the Quality Team has been closely involved in the development and trialling of the new Dalux Common Data Environment (CDE) and Dalux Field application. The system has the potential to greatly enhance compliance and record keeping across our projects.

The roll out of this new state-of-the-art technology began within our construction business in October.

PEOPLE

Our culture allows our people to grow and become the best version of themselves

At Wates we believe we can only achieve success by continuing to attract, develop and retain talented people, nurturing and supporting them to reach their potential.

We are passionate about generating and maintaining a culture that celebrates diversity and the richness of different experiences, backgrounds and skillsets.

We have worked hard to build our reputation as an attractive employer, and we are mindful that to maintain that reputation we must keep pace with changing business and societal trends.

Technological advances, socio-economic changes and the renewed focus on environmental sustainability, are all changing the nature of work and the expectations of the next generation of talent. Our recruitment, reward, recognition and development programmes must reflect this.

The demographics of our business need to change further if we are to address the looming skills shortage and increasing age profile in our industry. Developing a truly inclusive culture, a compelling sense of purpose and an attractive career proposition will create an environment where the next generation of Wates people will thrive.

Our ambition is to be a business where people can flourish – a place of continuous learning and innovation that offers exciting and varied career paths, and a place where we grow great leaders.

WATES **PEOPLE**

CHAIRMAN'S AWARD FINALIST

COMMUNITY ENGAGEMENT

JAMIE EARL

Living Space

WATES **PEOPLE**

CHAIRMAN'S AWARD WINNER

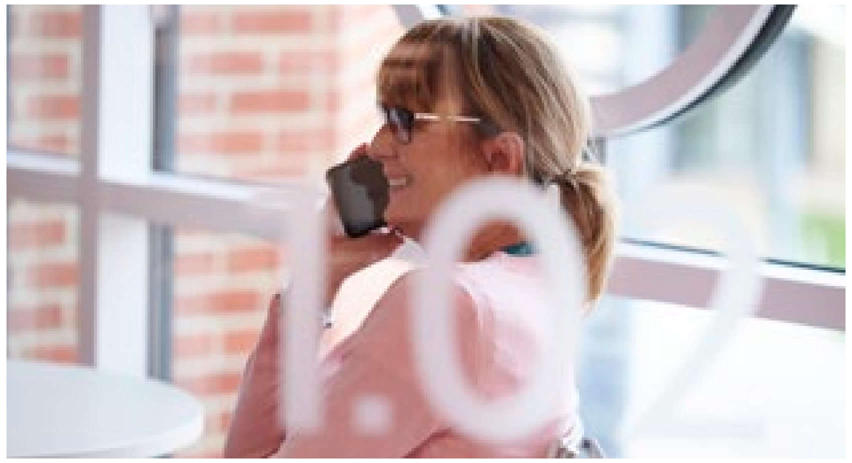
COLLABORATION – MENTORING CIRCLES PROGRAMME TEAM

PAULA CHANDLER

Construction Group

INCLUSION AND DIVERSITY

Our ambition is to be the most inclusive employer in our sector. We aim to be a fair place to work where everyone can thrive. During 2023 we refreshed our approach to help us progress towards that aim, introducing three key pillars of actions:



Fair Treatment

Everyone is treated with fairness and respect. When someone finds themselves not being treated fairly, they will feel able to speak up, are listened to and appropriate action is taken.

Fair Opportunities

Everyone has fair access to development and progression opportunities so they can build a meaningful career. There is equity in pay.

Fair Hiring

We hire the best person for the job from a diverse pool of candidates. We actively challenge and ultimately eliminate perceptions that prevent any talent from joining our business.

Supporting the three pillars are several programmes that drive positive change.

One of these is the Reverse Mentoring programme where leaders are paired with, and mentored by, colleagues from an under-represented ethnic background. Through this one-on-one interaction leaders get a better understanding of their mentors' lived experiences, and learn more about systemic inequities.

With this knowledge, leaders can more clearly see how to create a more equitable environment that boosts individuals' overall sense of wellbeing, opens up career development and progression, and makes it more likely that people will stay within the business. Mentors benefit too, gaining a wider support network both internally and externally. In the past three years 71 pairs have taken part in this programme.

Our Mentoring Circles programme was launched in response to feedback from our employee 'Inpulse' survey that indicated site based women felt isolated and that they did not have the same opportunities as their male peers for networking or career building interaction. The Mentoring Circles programme brings together groups of women for mentoring by senior business leaders on several topics including careers, negotiation skills, team effectiveness and relationship building.

This intervention has had a marked positive impact on the careers of our site based female colleagues, offering them a community, helping to identify barriers to their progression, designing tailored solutions, and helping them discover their strengths. Feedback from participants indicated better resilience, skill building, enhanced self-confidence and stronger networks leading to tangible outcomes with 15% of the inaugural cohort promoted into more senior roles and 4% moving laterally into broader roles.

During 2023 we also introduced an Internal Mobility Pilot. This was aimed at improving retention and thus a more robust future pipeline of talent, and also to enhance the capability of the organisation so it can better harness individuals' transferrable skills. Achieving this would enable Wates to offer more diverse career tracks and to put in place more varied routes to access talent.

The pilot focused on creating a pathway into the Commercial job family. A 'Starter Surveyor' role was designed as a landing point for individuals interested in exploring a career in the Commercial function. A 12-month secondment into this role gave individuals an opportunity to experiment with an alternative career within Wates. In addition to on-the-job learning, individuals could acquire technical skills through the Royal Institution of Chartered Surveyors (RICS) Foundation course in Quantity Surveying. The pilot was very well received and we are delighted that six colleagues are beginning their secondments in Q1, 2024.

Being a part of a community plays an important part in feeling safe and supported in the workplace, and that's where our employee networks come in. They play an invaluable role in making sure no one feels excluded, especially those who are in a minority within Wates. Each network is sponsored by a member of the Group Executive Committee, who is responsible for growing the network and driving action.

Check in Chat sessions, support for career development and raising awareness of our policies were the results of some of the work carried out by our networks in 2023.

We currently have five networks with a sixth forming in 2024.

1. BuildOut Together our LGBTQ+ network
2. Disabled and Allies
3. Parents and Carers
4. R.A.C.E and Allies
5. Wates Women and Allies
6. Mental Health and Allies (launching in 2024)

Menopause Support Programme

During 2023 we strengthened the support we offer around menopause through the introduction of the Menopause Support Programme. Designed to build a supportive and understanding environment for individuals experiencing this natural phase of life, a variety of resources were made available to colleagues.

Employee Relations (ER) advisors, trained by the Menopause Hub, offer guidance, resources, and a safe place for discussions related to menopause. Our menopause ambassadors – volunteers from within our organisation who have undergone training to better understand the challenges faced by individuals during this life stage – also assist with answering questions, explore coping strategies, and offer a compassionate space to discuss concerns.

This support complemented the existing resources available such as our Menopause Handbook and the Peppy wellness programme.

Specialist partnerships

During the year we forged successful partnerships with external partners.

Women into Construction (WiC)

We know that perceptions around the built environment can create artificial entry barriers for women. It's why in collaboration with WiC, we launched a programme to encourage 125 more women into the sector by 2025 through offering training and employment opportunities.

Our aim is to help the participants on the programme, who come from varied backgrounds and can be at different stages of their careers, get ready for various roles within the sector – from project managers to ESG. In 2023 our second cohort went live in our Residential business and two more cohorts are set to follow over the next two years.

Change 100 and Evenbreak

Change 100 is a flagship programme of the Leonard Cheshire charity, providing paid summer work placements, professional development and mentoring for students and graduates with disabilities or long-term health conditions. Participating in this programme allowed us to offer an opportunity to a talented person and invest in understanding how we can improve our accessibility and be an inclusive place to work.

We had a very positive experience with the programme and it has inspired us to reach out more broadly to disabled talent. That's why we've also partnered with Evenbreak, the UK's most accessible job board run by disabled people for disabled people, to showcase our career opportunities.

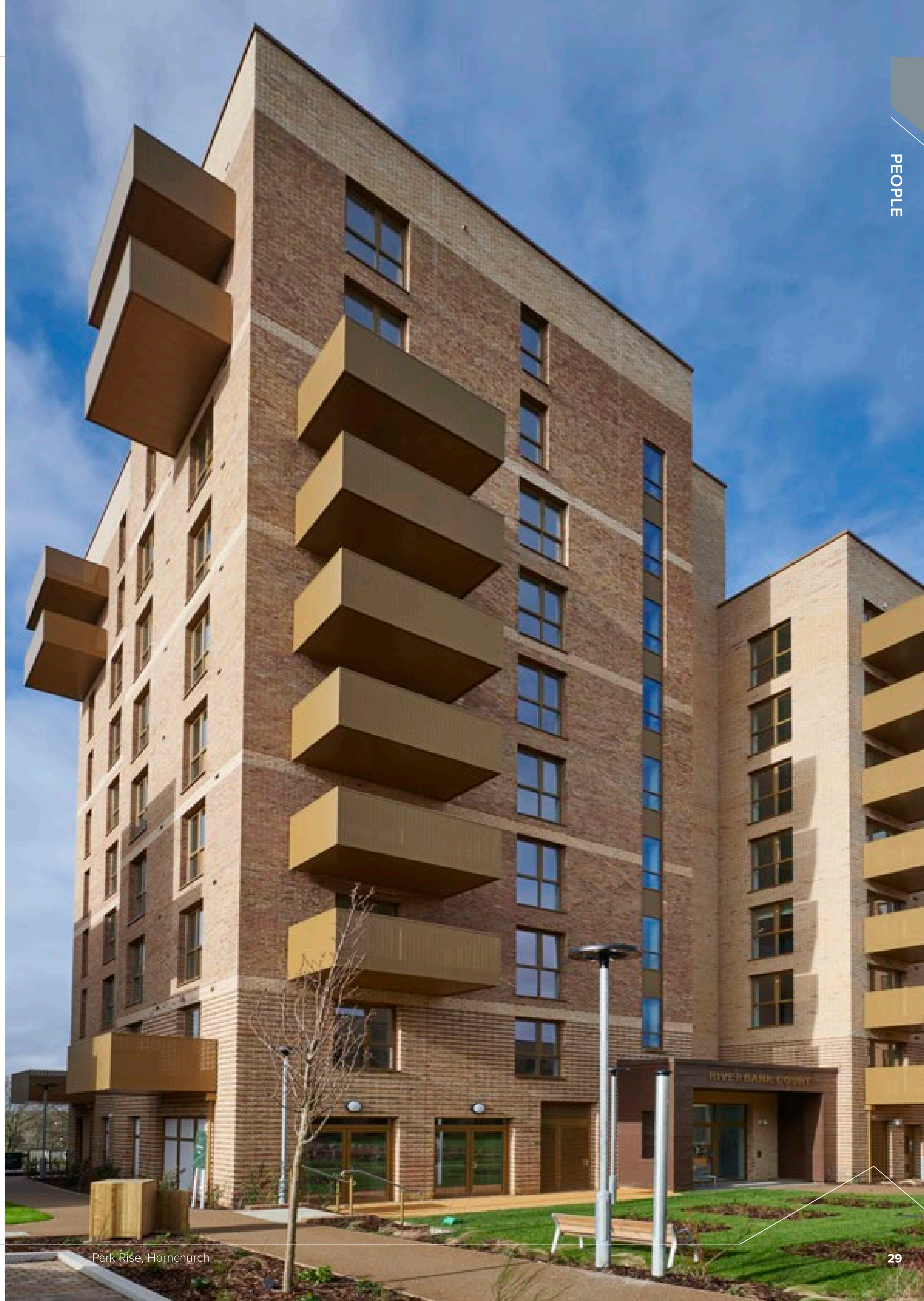
STEM Returners programme

Our partnership with the multi award-winning STEM Returners assists STEM professionals going back to work after a career break. In 2023 we launched a second cohort of this programme opening up roles such as site manager, project manager and project engineer across our construction business. The new programme follows the success of our first partnership experience, which helped six people get back into industry.

Fawcett Society Equal Play Campaign

Following our successful partnership with the Fawcett Society in the production of the 'Menopause and the Workplace' report, we partnered with the society again in 2023. This time we joined forces on its Equal Play campaign to support parents, caregivers and influential adults to challenge gender stereotypes with their kids. The campaign offers parents and caregivers tips and resources that they can incorporate into everyday life to challenge stereotypes in our interactions with children.

To find out more about our inclusion and diversity progress visit:
www.wates.co.uk/about-wates/diversity-inclusion



Park Rise, Hornchurch

LEARNING AND DEVELOPMENT

Our diverse portfolio of learning and development is constantly evolving to meet the changing needs of our people, equipping them with the skills to deliver on our business priorities and enjoy a rewarding career.

The annual investment of over £1.5m was maintained in 2023 and enabled around 6,900 training days and 25,867 e-learning modules to be delivered. In addition, we maintained a focus on developing and promoting self-led and informal learning alongside more structured development programmes through our iLearn portal, providing a vast range of bitesize courses for all.

We were excited to launch our new Learning Hub in 2023. The hub delivers an accessible, single source of resources to guide and inform development activity, from new skills and behaviours to management and leadership development.

In recognition of the impact our leaders have on people realising their individual potential, we completed a comprehensive review of the entire leadership development offering at all career stages this year. As a result, we now have well defined plans to enhance our development programmes beyond existing levels in 2024, and to build an even stronger reputation for great leadership.

The year also saw the successful implementation of a new Environmental Sustainability programme for business leaders, the ongoing rollout of our Customer Excellence programme, and several interventions that have informed and developed our people on the emerging requirements of the Building Safety Act.

INVESTORS IN PEOPLE
We invest in people Gold

TALENT AND RECRUITMENT

While the pressures on the labour market eased slightly in 2023, we maintained our focus on attracting a diverse pipeline of talented new employees to the business. Our vacancy numbers remained high, with the majority of these to fulfil new roles, enabling us to grow our talent pool across all functions, disciplines and business divisions.

We increased the number of hires made directly, reducing reliance on external agencies to source candidates. A thorough review of the Agency Preferred Supplier List in 2023 has also helped us to build stronger relationships with fewer external partners. Those partners we retained, work with us to reach diverse applicant pools. We have also invested in training for our hiring managers to enhance inclusive recruitment and selection skills.

Our early careers pipeline continues to be a vital source of talent. In September 2023 we welcomed a mix of 90 new college leavers and graduates into the business on our trainee scheme. They will progress through a structured and supported programme of technical, behavioural, experiential and professional development until promoted from the scheme when they have reached the required level.

A new campaign for a further 110 trainees to join us in September 2024 is already well underway.

This ongoing focus on early careers, which encompasses all apprentice and trainee programmes from Level 2 to Level 7, also allows us to deliver on our commitment as a member of the 5% Club.[6]

[6] Members of the 5% Club aim to achieve 5% of their workforce in 'earn and learn' positions (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining the club.

WATES **PEOPLE**

CHAIRMAN'S AWARD WINNER

COLLABORATION – MENTORING CIRCLES PROGRAMME TEAM

STEVE CHRISTIE

Construction Group

INNOVATION

Our business is driven by new ideas, new technology and original thinking

At Wates, innovation is about far more than technical advancement; for us it is a mindset that is shared by the whole Group: to relentlessly look for a new or better way of doing what we do.

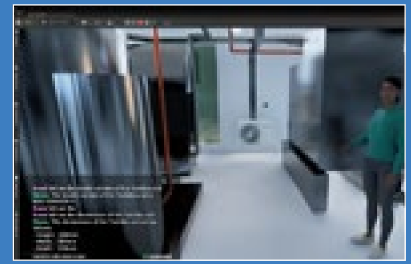
Throughout 2023, every part of our business continued to introduce innovative practices, improve systems and processes, and bring in smart technologies that help us support our customers and create a better, more sustainable world.

Digitalisation in particular, is transforming our business. We have made significant progress in piloting and implementing new ways of working, handling data and the use of robotics; while also beginning to embrace the potential offered by artificial intelligence and machine learning to change how we work for the better.

INNOVATION IN COLLABORATION

We know we work better when we collaborate, and partnerships are key to our success. This is a space where we have applied our innovative thinking in recent years to dramatically improve how we deliver projects in partnership with others.

We were delighted, therefore, to be involved in a game-changing approach which saw us working with three peer companies to deliver the New Prisons Programme for the Ministry of Justice. The Alliance 4 New Prisons (A4NP) partnership went on to win the Institute of Collaborative Working (ICW) Collaborative Leadership award in 2023 for its work in building four new state-of-the-art prisons.



INVESTING IN THE DIGITAL FUTURE

Our Technical Excellence Centre has been exploring progressive and innovative ways to provide value for customers who have invested in intelligent digital assets. This is typically by using Building Information Modelling (BIM) enabled data-rich models and environments.

Using advanced gamification technology, we have developed a working prototype of a digital facilities management virtual assistant (pictured above). This uses AI to search for key information embedded within the BIM model. The virtual environment allows our customers to navigate around the building and to ask key questions about the building and its systems of an 'assistant' represented by a virtual SES avatar. The virtual assistant will not only provide answers to questions but also take customers to the point of interest within the building.

Driving further digitalisation has been cited as a key business imperative for SES, and so we are delighted with our first smart 'Digital Twin' – at our Star Academies schools project in Salford. Digital Twins allow us to connect digital engineering, building performance and smart technology together to produce better and more comprehensive data on building performance. This data helps us understand how assets perform, and allows us to identify areas for improvement and optimisation.

We'll learn from this data, and use it to improve future designs, helping our customers make better-informed and more sustainable procurement decisions, enhanced by real-time building performance data.

Star Salford Academy

WATES **PEOPLE**

CHAIRMAN'S AWARD WINNER

INNOVATION & OVERALL CHAIRMAN'S AWARD FOR THE TECHNICAL EXCELLENCE CENTRE

BEN JOWETT
Construction Group

INNOVATING FOR **BETTER SAFETY**

The safety of our people, partners, customers and stakeholders is our highest priority, and we are constantly looking at ways to improve our safety performance. This is also an area where innovation will continue to play a major role.

Throughout 2023 we have explored ways to introduce better safety features and design out risk in all parts of our business. In our Construction Group, for example, we have piloted the use of gyroscopic lifting devices, (see page 19), which take away the need for workers to operate under moving loads. This is an instance where innovation both increased safety and productivity, as these devices allow us to operate safely in high wind conditions.

These types of projects are the perfect demonstration of how investment in new technology not only keeps our people safe, but also helps us deliver better outcomes for our customers.

INNOVATING FOR OUR **COMMUNITIES**

Innovation can also mean devising better ways to help grow the communities in which we work. For example, we have seen ongoing success of our innovative seven-month mentoring programme for social enterprises, ASSETS (Assisting Social Enterprises to Succeed). Through this scheme, in partnership with Impact Hub London, a cohort of social enterprises can gain access to expert mentoring workshops and peer sessions to help their readiness to expand. This supports our strategic aim of helping five social enterprises achieve national scale by 2025.

11 & 12 Wellington Place, Leeds

INNOVATING FOR **SUSTAINABILITY**

We work hard to deliver the most sustainable projects we can for our customers, and innovative thinking plays a major role in helping us do this.

Using a Design for Performance (DfP) approach and smart building technology, we have completed two of the environmentally highest performing commercial buildings outside of London in the shape of 11 & 12 Wellington Place in Leeds and 4 Angel Square in Manchester (part of the NOMA development), both of which are net zero carbon projects.

In London we are working on plot A1 of British Land's iconic Canada Water scheme, set to be the UK's most sustainable large-scale regeneration project. This is the most digitally advanced building we will have delivered for British Land, and once operational they will be able to unlock real time data to monitor, analyse and understand asset and building performance data, and then use their own cloud digital twin platform to optimise the operation of the building.

Our commitment to sustainable innovation is helping more and more of our customers achieve their net zero ambitions. Our unique Wates Innovation Network (WIN) portal allows customers to find new and innovative third-party sustainable technology solutions for their specific needs. The portal now has a marketplace of over 100 sustainable innovation companies, and more than 50 connections have been made. Read more about WIN on page 92.

In 2023 through the network, we ran two campaigns to help customers identify sustainable innovations to help them deliver on their carbon pledges. Our campaign for long-standing client the Lloyds Banking Group has helped find new technologies to cut carbon from its estate of buildings, while a similar campaign is helping the UK's largest social housing provider improve energy-efficiency for their tenants. Read more on page 92.

INNOVATING TO **SAVE MONEY**

During 2023 our facilities management business, Wates FM, embarked on the roll out of an energy management system for a proportion of HMRC's estate, following a successful pilot conducted the previous year. Working with Meta we put in place environmental monitoring sensors that helped us provide intelligent information to our customer on how their building was being used.

As well as keeping buildings safe and comfortable for users, our team installed pioneering energy management systems at eight HMRC regional centres, cutting CO_2 emissions and reducing costs. This earned us the HMRC award for Best Sustainability Supplier of the Year.

Using the data gathered, we identified how the organisation could make significant savings through the introduction of smart technologies. To date, working collaboratively, we have made good progress, achieving savings of £227,000, against a longer term collaborative target of £526,000.

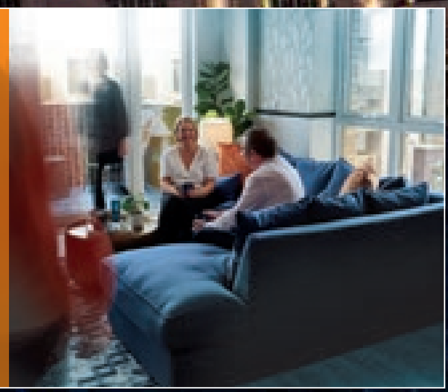
Lucent, Piccadilly Circus

OUR AREAS OF BUSINESS

DEVELOPMENTS

PROPERTY SERVICES

CONSTRUCTION



RESIDENTIAL

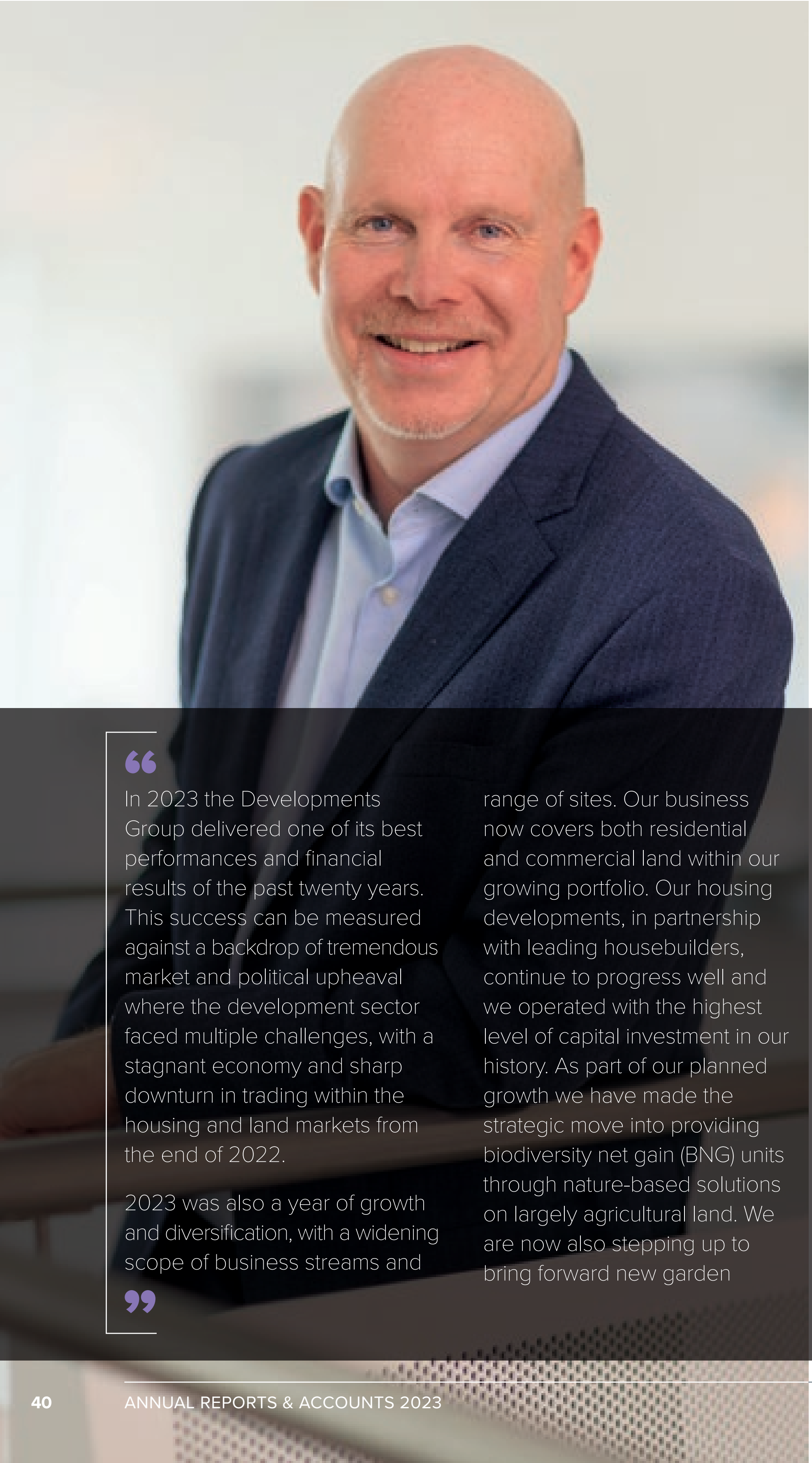
The Lucent building, behind the lights at London's Piccadilly Circus

DEVELOPMENTS GROUP

DEVELOPMENTS GROUP

Our land and development expertise is helping boost the supply of much needed new homes and business space

> In line with the wider Wates Group, sustainability is a key focus for our businesses.



£146.9m
TURNOVER, INCLUDING SHARE OF JVS' AND ASSOCIATES' TURNOVER (UP 15.9%)

£185m
CAPITAL INVESTED

58
PEOPLE

389
HOMES SOLD

14,836
HOMES IN PLANNING PIPELINE FROM 64 ACTIVE SITES

121
CLIENTS IN OUR NEEDSPACE PORTFOLIO

98%
PLANNING CONSENTS GRANTED IN LAST 10 YEARS

> In 2023 the Developments Group delivered one of its best performances and financial results of the past twenty years. This success can be measured against a backdrop of tremendous market and political upheaval where the development sector faced multiple challenges, with a stagnant economy and sharp downturn in trading within the housing and land markets from the end of 2022.
>
> 2023 was also a year of growth and diversification, with a widening scope of business streams and range of sites. Our business now covers both residential and commercial land within our growing portfolio. Our housing developments, in partnership with leading housebuilders, continue to progress well and we operated with the highest level of capital investment in our history. As part of our planned growth we have made the strategic move into providing biodiversity net gain (BNG) units through nature-based solutions on largely agricultural land. We are now also stepping up to bring forward new garden communities for thousands of homes and associated infrastructure, with sustainable placemaking-led Master Development at the heart of our schemes. We believe that our range and reach across the sector will offer us the ability to withstand downturns in both markets and political support for housing, both of which we expect to recover over time.

DAVID BROCKLEBANK
Executive Managing Director,
Wates Developments Group

Our land, planning and residential development businesses collectively come under the umbrella of the Developments Group. These have been augmented in recent years as both the scope of our work, and the range of our landowners and development partners, have widened.

In 2022 we incorporated our flexible workspace brand, Needspace, into the division, adding commercial property capability and experience. We have further built on this in 2023 by establishing a new commercial land business called Wates Strategic Space. This business specialises in securing and promoting land for commercial use, such as in the increasingly key markets of logistics and distribution warehousing.

The business delivered outstanding results in 2023, led by several very significant land sales, despite a challenging operating environment which saw subdued home sales activity, a significant reduction in demand for land where consent for planning has been granted, from volume housebuilders, and reduced demand for office lettings following the Covid-19 pandemic.

Our Projects team turn land opportunities into great places where people will live by navigating the UK's complex planning system. The planning process carries significant risk of failure and requires high levels of experience, expertise and investment. Our core metric of planning success now stands at 98% on applications made since the business was first established in 2005. Few in the sector can post such a consistent performance, which comes from a focus on the best and most suitable sites aligned with a high-quality team. This sustained level of success has helped us set up and maintain 39 joint ventures with housebuilders on sites across the country, which together have delivered more than 7,000 homes over 18 years.

The UK planning environment witnessed one of its most challenging years in 2023, with anticipation of housing policy change leading to a marked slowdown in vital local authorities plan-making and processing of applications. The much-anticipated changes to the National Planning Policy Framework finally arrived in December and were met with a muted response from the industry that considered the amendments likely to see housing numbers fall further.

2023 proved to be a good year for securing new land interests with a range of exciting opportunities secured across our areas of operation. Over recent years Wates has been increasing the scale of sites we invest in, and in 2023 we moved back into the Master Developer market, where we will both deliver planning and infrastructure, allowing for large sites to be sold in parcels over many years. This approach offers more certainty over our land sale pipeline, as well as greater control over our sustainability and quality proposition. We want to ensure that the developments we create drive a lasting and positive impact for local communities and the environment.

Meeting the requirement for 10% biodiversity net gain (BNG) on all sites from 2024 is an important step for the development industry. In response, we have established a team and sites to offer this as a service to developers, reflecting our long-standing commitment to accelerating BNG. We will be able to report on our first steps in this market in next year's report.

CASE STUDY
WINDSOR LAND SALE

Securing sustainable fit-for-future homes

30.69% BIODIVERSITY NET GAIN

LAYOUT SUPPORTS NATURE

THERMALLY EFFICIENT HOMES

SEN SCHOOL PLANNED

Success at Windsor comes following over 10 years of focused land promotion of a greenbelt site in a prime location for housing. In 2023 we completed the sale of the second and final phase of the scheme, which will deliver 455 homes in total.

The team received significant accolades for their work on this site, winning ‘Excellence in Plan Making Practice’ at the South-East RTPI (Royal Town Planning Institute) Planning Excellence Awards. This award acknowledged the successful long-term partnership with the Royal Borough of Windsor and Maidenhead, which helped make the scheme truly outstanding.

Plans for the site include air-source heat pumps and highly thermal-efficient homes, as well as much-needed improvements to existing walking and cycling routes. We worked closely with our consultants to ensure the layout we designed supports nature, which will result in a 30.69% biodiversity net gain for the site when works are completed, far exceeding both local and national planning policy.

The scheme will also deliver a Special Educational Needs School for the local community and will see the first houses being built in 2024.

CASE STUDY
FARNHAM PLANNING SUCCESS

Sixth successive appeal win

All developers prefer to secure planning consents at a local level as this can be faster and attract less cost and risk. However, many local authorities do not have up to date Local Plans and the political context for new homes in the UK leads to many planning refusals of good and sustainable housing propositions. As a result, the planning appeal process is a necessary arena of last resort where a developer considers that an application should be supported locally. Success at planning appeals has been a strong suit for our team and is an important consideration for landowners when selecting a land promoter to deliver a housing scheme.

Our success continued in July 2023, winning our sixth appeal in a row to secure planning for 146 much-needed homes in Farnham, Waverley.

Having to secure planning consent at appeal can be considered wasteful and unnecessary, but it does demonstrate to our landowners the extent of our commitment to deliver planning permission on the right sites, despite the challenges involved.

Some 37% of the 146 homes being built in Farnham will be new affordable homes in a location where affordable housing waiting lists run into thousands of families. The site will also see a significant positive net gain in biodiversity. It will provide 14.6 acres of Suitable Alternative Natural Greenspace (SANG) and 3.6 acres of other open space including high-quality landscaping, sustainable urban drainage and other green infrastructure for the local community.

We see the success at Farnham and elsewhere as testament to our hard-working specialist team who are passionate about delivering much needed sustainable housing developments.

BIODIVERSITY NET GAIN

14.6 ACRES ONSITE SANG

SUSTAINABLE DRAINAGE SYSTEMS

NEW AFFORDABLE HOMES

WATES **PEOPLE**

CHAIRMAN'S AWARD WINNER

PROJECT PERFORMANCE

LAUREN LEE
Developments – Projects Team West

CASE STUDY
CHICHESTER

Commercial land for sustainable logistics facility

In 2023 we established a new commercial land business known as Wates Strategic Space, and moved quickly to secure sites for planning promotion to enable the development of modern and highly sustainable warehousing and logistics business space with new employment opportunities.

Early in the year the team secured an excellent opportunity in Chichester, purchasing half the site freehold, and gaining a land promotion agreement with a local landowner on the other half.

To make the most positive offer to Chichester District Council, we are now partnering with the adjacent secondary school so we will be able to gift a large parcel of land, helping deliver a new full-sized football pitch and car parking to accompany our proposal of 200,000 sq. ft. of logistics space.

If approved, the scheme will help boost the local economy by providing full-time jobs as well as additional linked roles within the wider supply chain. As with all our developments, sustainability is strongly at the fore.

The scheme will be targeting a BREEAM Excellent rating, and will offer solar panels, living foliage wall, a heat pump system, electric vehicle charging points and biodiversity net gain (BNG) provision.

The need for modern, sustainable commercial spaces is increasing in several key locations. While logistics is a major growth area for our economy, the UK still lacks suitable land for such businesses. We hope this proposal will be a high-quality scheme to help fulfil a growing need.

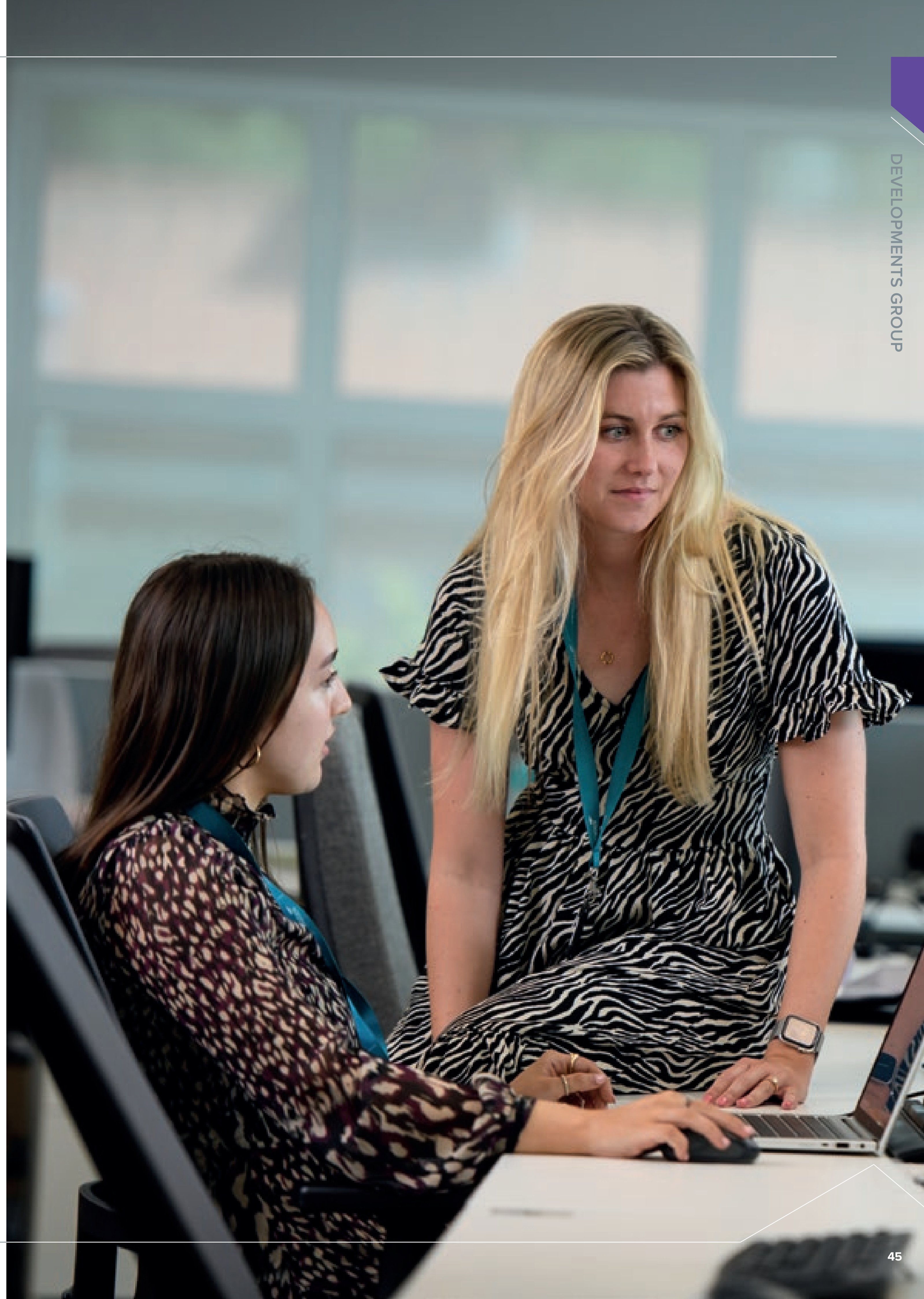
BREEAM EXCELLENT SITE TARGETED

ELECTRIC VEHICLE CHARGING POINTS

SOLAR PANELS AND LIVING FOLIAGE WALLS

HEAT PUMP SYSTEM

A typical scheme

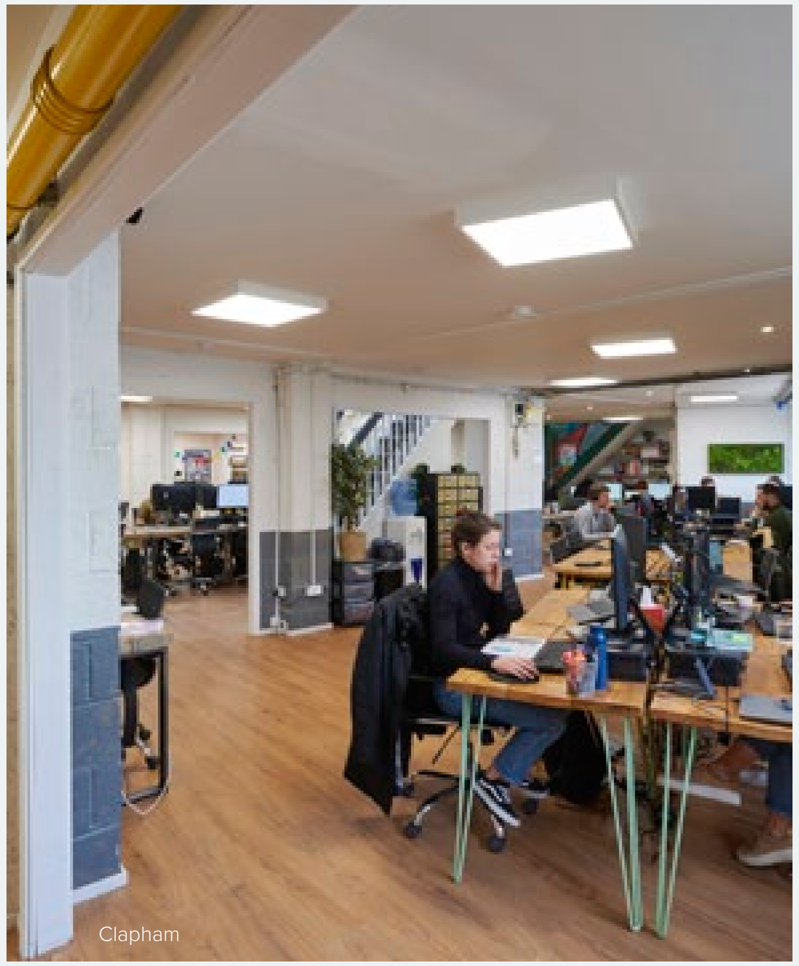


NEEDSPACE

Needspace is our flexible workspace business, providing high-quality offices and workshops for small businesses and startups in London and the south-east of England.

In 2023, our priority was to continue to improve occupancy rates in the context of an unstable economic climate affecting many of our clients. We are pleased with our performance in this area. We have achieved 100% occupancy at our flagship Clerkenwell site, increased from 50% to 73% in Horsham in the space of just nine months, and have 86% occupancy at Clapham following the expansion of one of our key clients.

Clerkenwell ©Paul Riddle



Clapham

These results were achieved because of our commitment to listening to our clients and investing in our centres to reflect changing demands.

Over the past 12 months, following consultation with our clients, we have been refurbishing our sites to provide communal breakout areas and improve the overall experience for those working in our centres. The first update, at Horsham, boosted occupancy at the site, and works at Earlsfield and Islington are progressing well. The refurbishments reflect our ability to keep pace with changing client requirements in a sector that is still adjusting to the dynamics of hybrid working.

Sustainability remains a key focus, and we continuously look for better and more efficient ways to run our buildings. To this end, in 2023, we undertook a review of all Energy Performance Certificate (EPC) ratings across our portfolio. Where necessary, we have requested improvement reports to help us reach our ambition of having a minimum B rating for each site by 2030. We also engaged a new waste collection partner to provide services across all our sites, enabling us to gather improved recycling data.

CASE STUDY
OLIVER'S TRAVELS

Helping power a growing business

SUPPORT FOR GROWTH | COMMUNAL BREAKOUT AREAS | LIGHTWELLS BOOST NATURAL LIGHT

One of Needspace's longest standing clients, Oliver's Travels, has been resident at our Clapham site since 2013. The luxury travel and villa holiday specialist has expanded hugely since lockdown, and we have worked closely with them to adapt the space to suit the company's rapid growth trajectory.

The three units were adapted to create bright open plan office space and breakout areas. We used lightwells and new flooring to further improve the office environment.

Oliver's Travels now occupies seven units in Clapham, employing over 90 team members, and serves as an excellent example of how Needspace can support its clients as their businesses mature.

CASE STUDY
WHITE ARKITEKTER

Perfecting space

Our newest client at our Clerkenwell site moved into 4,500 square feet of space on the ground and lower ground floors that had been vacant for three years, since the Covid-19 lockdowns.

We agreed the lease with the London arm of Scandinavian architect's practice White Arkitekter in June 2023, and immediately began working on making the space perfect for our client. Work included stripping back columns to their original concrete and installing new light oak-engineered floors.

The client signed a five-year lease, indicating the confidence that its new home will be a long-term one. Coupled with an offer for the remaining floor at Clerkenwell to an existing client, this means the site is at 100% occupancy for the first time since 2018.

5-year LEASE SIGNED | REFURBISHED SPACE | FULL 100% OCCUPANCY

©Paul Riddle

CONSTRUCTION GROUP

CONSTRUCTION GROUP

Creating the great places where people will live, work and play

> Our resilience in tough times has been clear in 2023, when we have experienced challenges resulting from the impact of inflationary cost rises on our supply chain. Throughout these difficult months, our teams across the Construction Group have delivered fantastic and increasingly complex projects across the UK. Robust client and supply chain partnerships have also helped us weather this storm and we have emerged in good shape. Divisional reshaping and alignment of our two businesses and a strategy that will see us embracing the latest technology and adopting key accelerators to drive growth, ensures we are in a strong position for the future.

PAUL CHANDLER
Executive Managing Director, Wates Construction Group

The Construction Group is made up of two complementary parts: Construction and SES Engineering Services. These work with public and private sector partners across the UK, delivering sustainable, innovative projects.

Across the combined construction businesses in 2023, we employed 1,854 people and brought in turnover of £1.17bn, up 22% on 2022.

Transformation has been the watchword across the Construction Group throughout 2023, to enable us to be fit and agile to meet our customers' changing needs, and embrace sustainable advanced technologies that will drive profitable growth and bring new opportunities for our people.

During the year we embarked on two major transformation programmes, for our preconstruction and delivery activities, with the aim of embracing innovation, boosting productivity and driving efficiency.

We were also engaged in bringing clarity and alignment across the Construction Group. In the first half of 2023 we realigned both our construction and engineering businesses regionally into North and South divisions and introduced a Major Projects division, reflecting our success in securing several significant high-value projects.

We further reconfigured our integrated construction services offer. By bringing Wates Building Services, Wates Drylining Services and our offsite manufacturing facility, Prism, together under the well-respected SES Engineering Services banner, we have a market-leading engineering business that continues to support Wates Construction, the wider Wates Group, and external customers.

The year was not without its challenges. Our main barriers were stresses within the supply chain, with some key suppliers becoming insolvent in the face of a difficult economic climate. The rising cost of capital, recruitment issues, and inflationary pressures also created some obstacles in both work-winning and converting projects to site.

We overcame those challenges really well, however, and delivered a solid performance and results in the year.

Our primary concern is always that our people return home safely from their workplace, and we continued to drive rigorous safety practices throughout the business, including with our supply chain, as we strive for zero harm. We continue to have one of the very lowest RIDDOR AIR rates in the sector.

Sustainability was a major focus for us in 2023, as it is for all Wates Group businesses. We appointed a new Head of Sustainability to lead a dedicated team with a remit to work towards our ambitious environmental targets.

We are also continuing to develop and grow our Technical Excellence Centre, which is helping us create innovative and efficient new ways to work towards net zero, while providing greater energy-efficiency solutions in both the delivery and the performance of our buildings.

As we move into 2024, we are committed to continue our profitable growth strategy, innovating to drive business performance while exploring key accelerators in our chosen and new sectors.

King's Road, London.
©Sky Solent Services

£1.17bn
TURNOVER (UP 22%)

£4.2bn
ORDER BOOK

£1.1bn
WORK WON

£48.3m
AVERAGE VALUE OF PROJECT

£4.1m
SPENT WITH SOCIAL ENTERPRISES

1,854
EMPLOYEES (UP 8%)

PARTNER WITH **75%** OF UK PUBLIC SECTOR FRAMEWORKS

82 SITES UNDER CONSTRUCTION

14 SCHOOLS UNDER CONSTRUCTION

HEALTH AND SAFETY PERFORMANCE

0.07
ACCIDENT FREQUENCY RATE

WATES PEOPLE

CHAIRMAN'S AWARD FINALIST
EARLY CAREERS

TENDAI MUZAMBI
Construction Group

CONSTRUCTION


11 & 12 Wellington Place

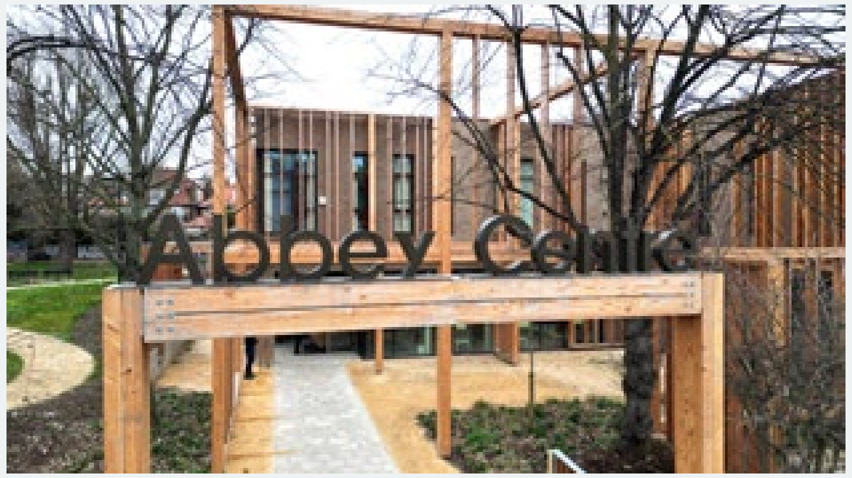
Our Construction business works across the UK with public and private sector partners to create sustainable buildings that provide lasting legacies for communities.

In the public sector, we have strengthened our long-standing partnerships in areas such as education, healthcare, justice and the emergency services. In recent years, we have secured places on some of the most valuable and high-profile public sector frameworks, enabling us to help our clients transform public services.

Performance highlights during 2023 included completions on some of our most complex projects. These include the Lucent building behind London's iconic Piccadilly lights; the conversion of the Sandwell Aquatics Centre from a 2022 Commonwealth Games arena to a community leisure centre; the sixth school completed as part of the Department for Education's Schools Rebuilding Programme and 11 & 12 Wellington Place in Leeds. This was the first building outside London and the fourth in the country to achieve an excellent five-star NABERS design-reviewed target rating for energy and operational efficiency.

New contract wins are the lifeblood of any construction business. We secured significant new work throughout the year, including within the exciting redevelopment of Canada Water in south east London, while also winning a place on competitive public sector frameworks, most notably the Ministry of Justice's (MoJ) £2.5bn constructor services roster.

We were delighted with recognition at the UKREiiF awards, where we were named Contractor of the Year. Meanwhile, our project at the Abbey Centre in Camden, north London was Highly Commended at both the IHEEM Awards and Building Better Healthcare Awards.



BREEAM OUTSTANDING RATING TARGETED

MMC KEY TO PROJECT

FULL-SIZE MAGNIFICA TREE

HERITAGE FEATURES RESTORED

CASE STUDY
LUCENT

Behind the lights at Piccadilly Circus

Environmental responsibility was at the forefront of our minds in our work to transform the building behind the iconic Piccadilly lights in Central London into a vibrant mixed-use development for long-standing development partner Landsec.

An area once thought of as unusable is now a combination of flexible workspace, commercial offices, shops and residential units, with a top-floor restaurant and sky garden terrace.

Despite the city centre location, the project incorporates nature in a unique way, illustrating our commitment to sustainability. A full-size tree is a key feature within the central atrium, and we are confident the development will receive both BREEAM Outstanding certification and a 'Gold' WELL Building Standard in due course.

Specialist heritage contractors were brought in to repair or restore original features including Portland and Bath stone, internal ceiling cornicing and wall panelling. In this way, the listed building's historic character was sensitively incorporated into the modern architecture.

Any original stonework removed was re-used and remoulded to imitate the historic façade through a specialist subcontractor.

Modern methods of construction were key to the project, with a unique slate roof designed in the Mansard style to match adjacent buildings. Cassettes were designed and manufactured offsite and joined together at Lucent to ensure a safer and more efficient installation process.

The complex design had several interfaces with adjoining facets across the project. The roofline begins above level eight on the south terrace, flowing down to level six where it continues over to the base of level three at the north-west terrace.

All this was achieved while keeping the lights on at Piccadilly Circus and the flagship Boots retail store operational. An amazing achievement for our team and supply chain partners.

CASE STUDY
HARLINGTON SCHOOL

A trusted partner to deliver for the community

We have a long-standing relationship with the Department for Education (DfE), which counts us as a trusted partner to deliver on its ambitions to build a new generation of schools fit for the future.

We have delivered £2bn worth of schools over more than 15 years and the strength of our relationship with the department was reinforced in 2021 when we were appointed to its mammoth £7bn Schools Construction Framework.

Among the first fruits of this new phase of our partnership was the new Harlington School in Hayes, which we handed over in time for the start of the 2024/5 academic year. The £40m project will increase the school's capacity by almost a fifth, adding two new buildings in the shape of a three-storey main school building and separate sports centre.

The project has involved the redevelopment of the site while the school remained open, presenting a set of challenges for our project team.

As a collaboration between Wates' traditional construction arm and SES, we were able to incorporate several innovations on site, including the construction of corridor modules at our offsite Prism facility.

Community engagement was also a major part of the project. Construction students from Uxbridge College visited the site for a tour and career talk. We also offered work experience placements to eight students, while March 2023 saw us run a two-week Building Futures course for local unemployed residents.

> "It's been a real pleasure to work with the Wates team to deliver a new building for Harlington School; they are proactive and responsive. There have been some challenges, but they have managed everything effectively and been excellent to work with."
>
> **NASIR KHAWAJA**
> Project Director,
> School Rebuilding Division,
> DfE

8 STUDENTS OFFERED PLACEMENTS

OFFSITE CORRIDOR MODULES

TWO NEW BUILDINGS

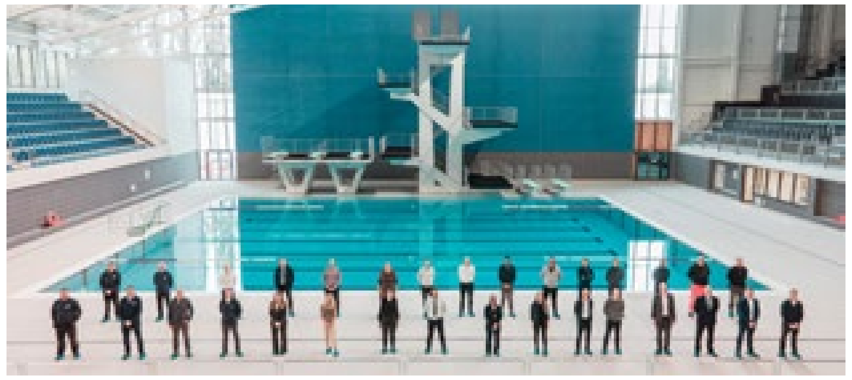
DFE'S SCHOOLS CONSTRUCTION FRAMEWORK

CASE STUDY
SANDWELL AQUATICS CENTRE

World class sports venue to community hub

Having completed the Sandwell Aquatics Centre, a brand-new sports facility in the heart of England, for the Commonwealth Games in 2022, we were delighted in July 2023 to reveal its transformation to its legacy function of a community leisure facility.

The challenge to deliver the facility – the only purpose-built venue used at the Games – on time for the event was made even more difficult by the Covid-19 pandemic. So repurposing the venue to be open for public use just a year later marks an impressive achievement for our team.



The centre features an Olympic-sized swimming pool with moveable floors to allow for multiple uses. It also has a 10-metre-high pre-cast dive tower, a 25-metre diving pool, and seating for 1,000 spectators.

Other features in the new venue include a community swimming pool, three activity studios, two four-court sports halls, a fitness gym, cycling studio and changing village with a capacity of 600.

12% BIODIVERSITY NET GAIN

£700k SPEND WITH SOCIAL ENTERPRISES

130 LOCAL JOBS CREATED

£23k RAISED FOR LOCAL CHARITIES

SUPPORTING **44** NVQ STARTS

Paralympian Ellie Simmonds, pictured here with Wates' Paul Chandler, officially opened the centre to the public in July 2023.

CASE STUDY
CANADA WATER

First new town centre in London for half a century

c.3,000 NET ZERO HOMES

12 ACRES OF NEW GREEN SPACE

BREEAM OUTSTANDING TARGETED

The 53-acre Canada Water development is one of the largest regeneration projects in London, creating the capital's first new town centre in 50 years.

We are working with developer British Land and their JV partner AustralianSuper on the largest plot in the scheme, known as A1. This includes 118,000 sq ft workspace at Three Deal Porters, 8,400 sq ft retail space and 186 new homes in The Founding, a new 35-storey residential building.

The development as a whole will have a transformative effect on the local area and beyond, with planning permission granted for between 2,000 and 4,000 new net zero homes, up to 2.5m sq ft of workspace and around a million square feet of retail, leisure and education space. We are determined that the plot we are delivering should meet the highest possible standards in terms of sustainability and carbon reduction.

We have targeted a BREEAM Outstanding designation, with the intention of the scheme becoming one of the most sustainable of its kind in the UK. As part of this, we are aiming to significantly reduce embodied carbon emissions during construction by installing prefabricated elements from our Prism offsite manufacturing hub.

The A1 plot is situated close to Canada Water underground station, and so we used 3D ground movement modelling to undertake safe testing before beginning basement excavation works – another example of how innovative thinking is helping deliver better outcomes.

SES ENGINEERING SERVICES (SES)

SES Engineering Services' forward-thinking and intelligent approach combined with our teams' passion and resilience has resulted in us becoming one of the UK's leading design-led mechanical and electrical (M&E) providers.

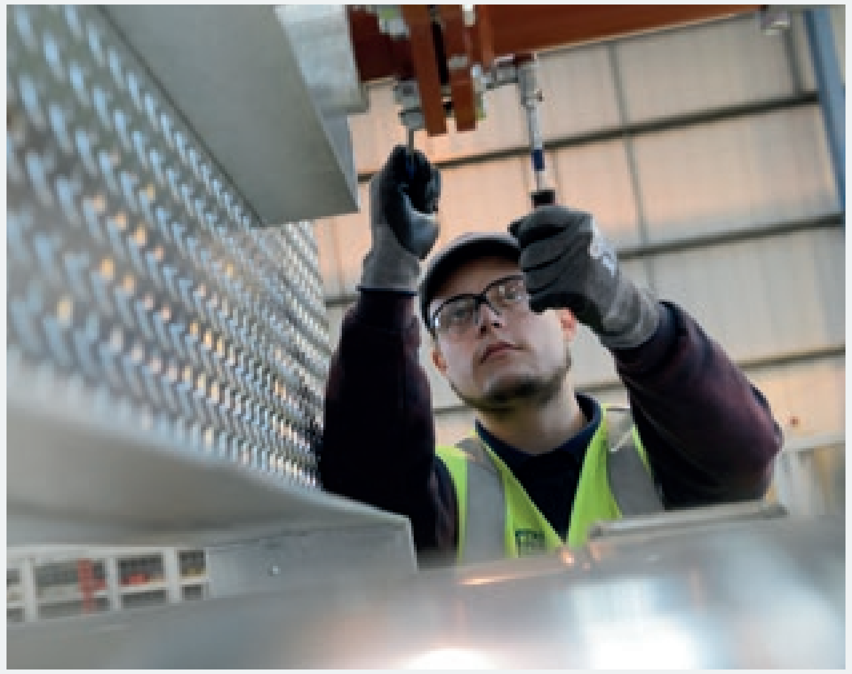
The overarching mission of the business is to champion the widespread adoption of modern methods of construction (MMC) and other technical innovations, to help our clients achieve greater efficiency and deliver more sustainable outcomes. In particular, we are focused on increasing the use of our Prism facility wherever possible and to encourage the application of emerging digital engineering technologies.

In 2023, with the aim of delivering on this mission, the business underwent a significant restructure, with Rob Clifford appointed Managing Director and four distinct divisions created: North; South; Major Projects; and Specialist Services.

These divisions were designed to harness synergies across the operations of the four parts of SES, thereby raising both the quality and efficiency of the service we offer our clients, both within the Wates Group and the external market.

Innovation is a byword across the constituent parts of SES. In 2023, we provided more 'smart building' and digital engineering solutions than ever before, and we have continued to develop immersive technologies to support the Construction Group and our external partners at the bid stage of projects.

Our Prism model continues to evolve and grow every year as we further embrace manufacturing informed design and digitalisation. We are also involved in delivering a 'smart digital twin' pilot project in collaboration with Star Academies and our construction colleagues.



One of the key drivers for our commitment to innovation, and offsite manufacturing, is our focus on safety. At Prism, our accident frequency rate (AFR), lost time incident rate and events with high potential severity (HiPo) were all at zero, while SES also recorded a HiPo incident rate of zero and an AFR of 0.072, well below the industry average.

MMC is also widely recognised as a means of increasing the diversity of the built environment sector, and attracting the best talent, regardless of background. In 2023, we were delighted to establish a forum for women at SES, focused on systemic change within the sector and the establishment of a wider support network.

Managers in the business also participated in a 'supporting mental health in the workplace' leadership course.

Our achievements and progress in 2023 came against the backdrop of a sometimes challenging wider economic environment. Managing the impact of inflation while meeting our commercial targets is an ongoing challenge, as is developing and maintaining a consistent, reliable supply chain. However, we believe that such difficult headwinds only serve to amplify the need for the efficient solutions we work hard to develop.

Against this backdrop, it was particularly pleasing to see our expertise was recognised when we were named Specialist Contractor of the Year at the Building Awards – an excellent note on which to end 2023.

CASE STUDY
4 ANGEL SQUARE, MANCHESTER

Smart building at the heart of the city

> The project is rated BREEAM Outstanding and is the first building in Manchester to achieve a five-star NABERS design for performance target rating.

Our appointment to deliver an £11m building services design and installation contract at 4 Angel Square – part of developer MEPC's flagship NOMA development in Manchester – came from our engagement on similar projects.

Our mission was to create sustainable, premium office space for long-term tenants of the 22,000 square metre, 11-storey block. We employed smart technology solutions throughout the project, with a particular focus on meeting MEPC's aspirations to reduce energy consumption and carbon emissions.

One way of doing this was to make the building's occupants feel engaged with their environment from the moment they enter the space. We worked with a smart building application developer to create a NOMA-branded app that allows occupants to access the building via their smartphone, digitally manage their visitors and adjust their local environment.

The app also delivers powerful energy insights to influence occupants' behaviours and drive real change. This will help reduce our client's management, energy and operational costs by passing responsibility and control directly to the end-user.

The smart technology deployed includes Internet of Things (IoT) sensors that monitor internal environments within the building, allowing the specially designed app to optimise conditions and improve energy-efficiency. To keep users engaged, the app also includes social and retail features, further fostering a sense of community amongst the building's users.

Both sustainability and social value are embedded in this project.

The project is rated BREEAM Outstanding and is the first building in Manchester to achieve a five-star NABERS design for performance target rating.

It is net zero carbon in operation, running entirely on renewable energy with air source heat pumps, rooftop photovoltaic panels and leading smart building technologies developed by our specialist team.

We also worked side by side with MEPC to ensure the project's lasting positive impact on the local community. We welcomed students from surrounding primary schools and employed five apprentices, who gained experience of business administration, as well as mechanical and electrical installation.

BREEAM OUTSTANDING CERTIFICATION

5* NABERS RATING

AIR SOURCE HEAT PUMPS

SMART BUILDING TECHNOLOGIES

CASE STUDY
AESC UK GIGAFACTORY

The future of green automotive manufacturing

The Construction Group's collaborative approach to large-scale projects was very much in evidence in 2023 as we continued to progress the UK's first ever electric car battery gigafactory. AESC's facility in Sunderland, will employ over 1,000 people when operational, and deliver a six-fold increase in UK electric vehicle battery production.

Wates and our specialist engineering services business, SES, is leading the design and delivery of the build of this landmark project, working alongside Turner & Townsend who are acting as project and cost managers.

The gigafactory, which will be 100% carbon neutral, will produce AESC's latest generation batteries, in enough quantities to power 100,000 electric vehicles annually.

The scale and ambition of the project means it will be transformative for the region, bringing in skilled jobs and providing a boost for the local supply chain.

Construction of the new building on the IAMP business park, which spans land in South Tyneside and Sunderland, will help pave the way for potential future investment.

As a business, we believe passionately in decarbonisation and a sustainable future. Furthermore, we know the vital role we and our partners can play in delivering on the UK government's ambitious net zero targets.

The footprint of the new building will be the equivalent of 23 football pitches and use 14,000km of mains cables. When complete the 360m long building will be longer than the nearby Northern Spire Bridge crossing the River Wear.

> The scale and ambition of the project means it will be transformative for the region, bringing in skilled jobs and providing a boost for the local supply chain.

WATES **PEOPLE**

CHAIRMAN'S AWARD FINALIST
RISING STAR

SIMON AMOS
Construction Group

PROPERTY SERVICES

PROPERTY SERVICES

Repairing, retrofitting and maintaining homes and offices to ensure they are fit for the carbon-free future

"We have had an excellent year, delivering solid profitability and a strong pipeline of work with a record order book of £2.1bn. All the markets in which we operate are positive, supporting our organic growth plans.

I am excited for what the future holds as our teams continue to innovate and find better ways of working. There's significant government funding for retrofitting homes and we are one of the market leaders in this space. There's also a big drive to modernise workspaces and improve their energy-efficiency and our facilities management and fit out businesses are making significant progress in their efforts to bring commercial decarbonisation to the fore.

With such buoyant markets, a fantastically skilled and committed team, and our laser focus on customer experience and innovation, I have every confidence that we will continue to go from strength to strength."

DAVID MORGAN
Executive Managing Director,
Wates Property Services

In 2050, some 80% of the UK's current building stock will still be in use. Making sure these properties can last well into the future is where Property Services specialises. With more than 1,700 skilled professionals, we maintain, manage and refurbish properties across the private and public sectors. And we're at the forefront of efforts to improve the energy-efficiency of homes and commercial properties on our journey to a net zero future.

We believe passionately that nobody should be living in poor quality or unsafe social housing. Our housing maintenance Living Space team works tirelessly alongside our customers to ensure residents live in homes that are safe, healthy and fit for the future. We provide strategic asset management solutions to almost 60 social housing providers, maintaining half a million homes in the UK. And we have already completed the retrofit of 2,000 homes with a further 3,000 currently underway.

If you've visited your high street recently, chances are you've seen the results of our work. Our Smartspace fit out and refurbishment team at Wates plays a key role in creating the M&S experience. We've fitted out more than 300 stores across the country for this famous British institution. That's just one of our great customers that come back to us time and time again because they know they can rely on the quality of our service and delivery.

Reducing CO_2 emissions is a top priority for businesses and public sector organisations alike. We provide our customers with innovative solutions to reduce energy consumption and this year helped His Majesty's Revenue and Customs (HMRC) to see the 'the art of the possible'. As well as keeping buildings safe and comfortable for users, our facilities management (FM) team installed pioneering energy management systems at eight HMRC regional centres, cutting CO_2 emissions and reducing costs. This earned our team the HMRC award for Best Sustainability Supplier of the Year.

These three operations – Living Space housing maintenance, Smartspace fit out and refurbishment, and our facilities management business – come together to form Property Services. We have seen a solid performance from all three operations in 2023. Revenue grew in housing maintenance by 23.7% year-on-year, and the team has a record order book of £1.7bn, an increase of 14%. Our FM business increased revenue to £52m and our fit out business achieved a turnover of £122m, with a record forward-order book for 2024. These successes have been powered mostly by organic growth and the extension of relationships with key public and private sector partners.

£544.7m TURNOVER

£2.1bn FORWARD ORDER BOOK

1,733 PEOPLE

CO_2

£40m OF DECARBONISATION WORK DELIVERED

FIT OUT AND REFURBISHMENT

SMARTSPACE

We're trusted by some of the UK's best-known companies and institutions to manage, reconfigure, and refurbish their property portfolios. Our key customers include M&S, the Government Property Agency, HMRC, the Ministry of Justice (MoJ) and some of the UK's top banks. This includes Lloyds Banking Group, with whom we have worked for 15 years.

Our fit out and refurbishment business, Smartspace, operates nationwide, improving our customers' buildings, boosting their value and making them better spaces to be in. It's vitally important to us that we deliver to the highest standards and maintain exceptional customer service.

2023 has been a successful year, continuing to deliver an outstanding service to our customers, achieving our third consecutive year with no lost time injuries, and securing our two largest-ever contracts, both with repeat customers.

The business has grown its profitability consistently since 2020 as the demand for expert, high-quality fit out and refurbishment work has accelerated to keep up with the changing nature of how people work, live, and do business. This has helped us achieve a record forward order book for 2024. In 2023 we had a turnover of £122m, and we increased our headcount to 233 employees.

We have worked hard to balance our portfolio between public and private sectors, and this is now split close to 50-50. Our private sector work encompasses projects in the banking, retail, commercial offices, and distribution sectors. Public sector work includes fit out within civic offices, emergency services, healthcare, and education projects.

The endorsement of our customers is the most important thing for us as a business. We are therefore delighted to have retained all our clients since 2021. In 2023 we also extended our partnerships with major banking clients and secured a place on the Ministry of Justice's new £2.5bn Construction Services Framework.

Safety is a top priority across the whole of the Wates Group, and within our fit out and refurbishment business, in 2023 we achieved our third consecutive year of zero harm.

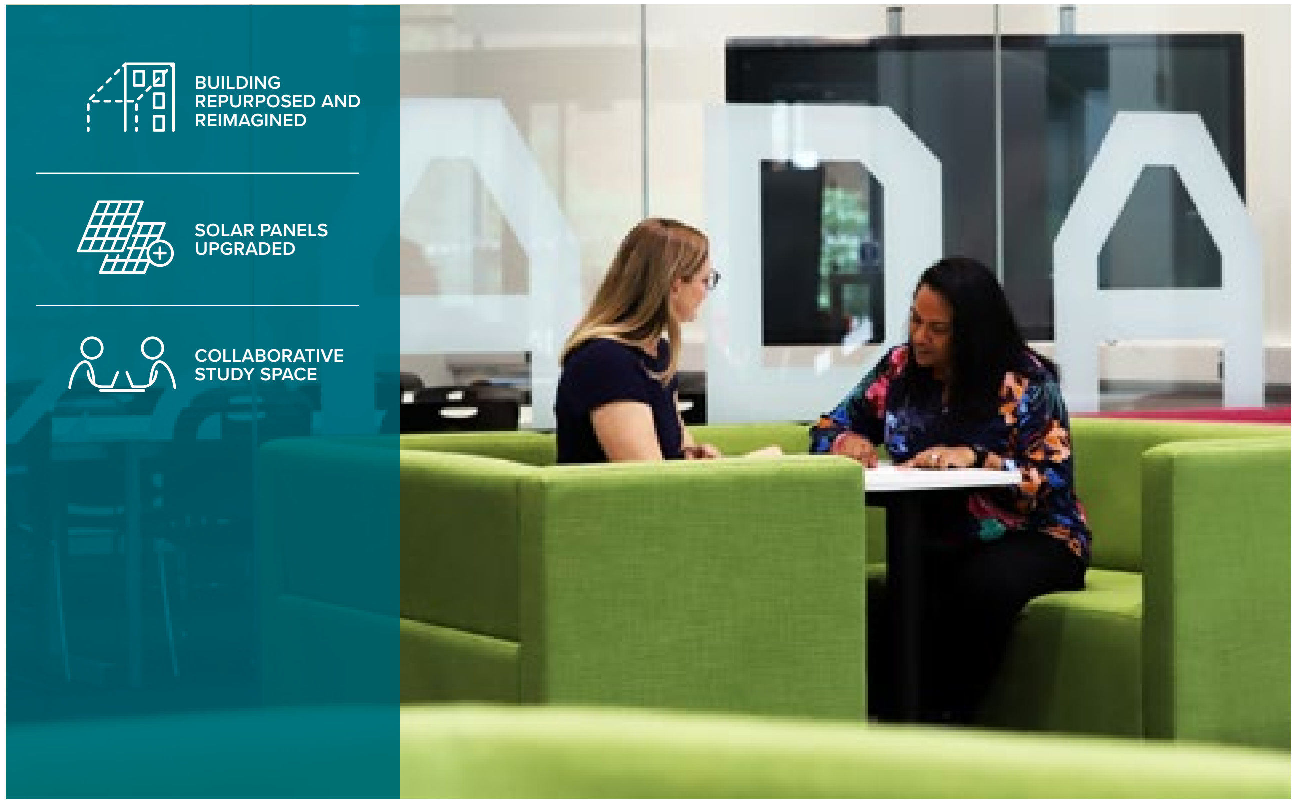
Looking ahead to 2024 and beyond, our aim is to consolidate and develop our key sectors, while enhancing the service we offer to take advantage of the emerging opportunities within fit out. These include the decarbonisation agenda, the continuing remediation work required to replace Reinforced Autoclaved Aerated Concrete (RAAC), and helping clients adjust to the Building Safety Act.

With these opportunities in mind, we have committed to deliver consistent year-on-year growth with the aim of doubling the size of the business within five years.

The broad range of services we offer means we are well placed to support our customers' changing priorities while also creating opportunities for our people to have successful careers. Trusting relationships with our supply chain is a key element of our continued success and our financial strength combined with our collaborative approach helps make us the partner of choice.

CASE STUDY
NATIONAL COLLEGE FOR DIGITAL SKILLS

Innovation and sustainability at the forefront of refurbishment



The state-of-the-art refurbishment of a new digital campus at Ada, the National College for Digital Skills in London, which completed in 2023, perfectly encapsulates our commitment to innovation, sustainability, and excellence.

The former technical college was reimagined in just five months, becoming an innovative, high-tech learning space featuring 20 classrooms, two lecture theatres, collaborative study areas, a library, café and accessible rooftop.

Rather than demolish and replace the old building, which would have created large amounts of embodied carbon, the client wanted to repurpose it, retaining as many elements as possible to extend life cycles and reduce the requirement for new material. Existing solar electricity panels were upgraded to reduce the energy load, while additional insulation was installed on the terrace roof to boost energy-efficiency. Furniture that couldn't be repurposed onsite was donated to a local high school.

Inclusion and diversity were at the heart of the project, in keeping with the values we share with our client. We worked closely with our client to ensure the final design was aligned with the college's aim to attract greater diversity into the tech sector. This included more women, people from ethnic minority groups and individuals from low-income backgrounds.

WATES **PEOPLE**

CHAIRMAN'S AWARD WINNER
HEALTH, SAFETY & THE ENVIRONMENT
STEVE LOVELL
Smartspace

CASE STUDY
LLOYDS HARBOURSIDE, BRISTOL

Transforming space for new ways of working

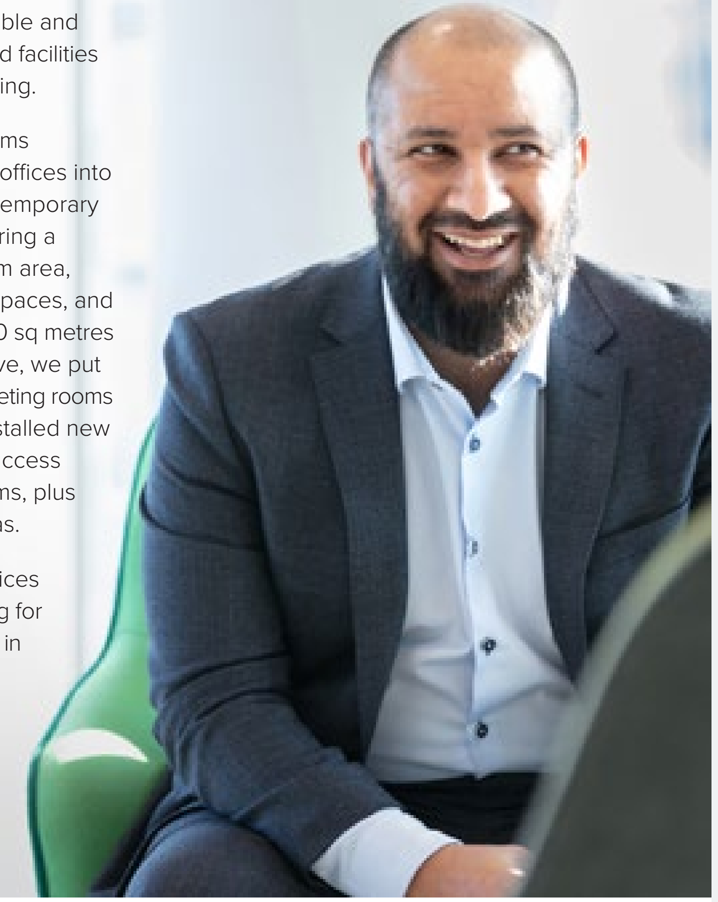
We were delighted to deliver an exciting new workplace hub for our long-time customer Lloyds Banking Group in 2023. The project, to remodel and refurbish the existing five-storey office block, plus basement and roof area, brought to the fore what we consider to be the most important element of any project – listening and understanding what our customers need and how we can satisfy them to the highest standards possible.

Lloyds Banking Group's Harbourside building occupies a prominent position in the heart of Bristol along the banks of the River Avon. The building is one of four major hubs for the Group, with 1,700 employees based there.

Like many businesses over the past few years, Lloyds has seen a huge change in the way people work and use office space, and they wanted us to encourage employees back to the offices with an inviting, flexible and collaborative workspace and facilities that supported their wellbeing.

Over just 13 weeks, our teams transformed the traditional offices into a vibrant and dynamic contemporary working environment featuring a stunning ground floor atrium area, with a reception, meeting spaces, and a new café and gym – 3,750 sq metres in all. In the four floors above, we put in 1,178 desks, along with meeting rooms and collaborative areas, installed new LED lighting, data cabling access floors and upgraded systems, plus kitchens and breakout areas.

Adopting sustainable practices to reduce waste and looking for ways to provide social value in the communities where we work are always front of mind, as it is for our client. So we were pleased that more than 8,000 carpet tiles could be donated to local low income families and nearby community groups, and to Public Health Wales, Newport City Homes, and Hafod Housing.



CASE STUDY
GOVERNMENT PROPERTY AGENCY

Work begins on CAT A and B fit out

345,000
SQ. FT OF OFFICE SPACE

COMPLETION
AUTUMN 2024

MECHANICAL
AND ELECTRICAL
ENGINEERING

We have been working with the Government Property Agency (GPA) since 2021, supporting the upgrade and modernisation of its buildings in line with the government's levelling up agenda.

Following a year-long pre-construction period, in May 2023 our fit out teams began the CAT A and B fit out of over 345,000 square feet of office space at the GPA's new site at 2 Ruskin Square in Croydon, South London.

Due to complete in September 2024, the project will enable the Home Office to bring various functions together in one building for the first time in 30 years, moving civil servants from three existing locations in Croydon to one centralised hub.

HOUSING MAINTENANCE

LIVING SPACE

Our expert housing maintenance business, Living Space, is providing strategic asset management solutions to properties right across England. This includes planned and responsive maintenance projects, with a particular focus on fire safety, zero-carbon retrofitting and housing disrepair. Taken together, we maintain more than 500,000 homes for our customers every year.

Sustainability is a key priority for us and our customers, and this year we have strengthened our position as a market leader in domestic zero carbon retrofit. Through Wates Retrofit we are at the forefront of delivering the energy-efficient homes of the future. This is helping to reduce greenhouse gas emissions from households, which account for a quarter of all emissions in the UK. It also helps families cope with the cost-of-living crisis by reducing energy costs and fuel poverty.

In 2023, we delivered close to £40m of decarbonisation work. This means we have completed retrofit enhancements on more than 2,000 homes so far, with a further 3,000 homes to upgrade in our pipeline, driving sizeable reductions in residents' fuel bills. We have also helped our customers to secure another £100m in funding from the Social Housing Decarbonisation Fund (SHDF) Wave 2.1.

And it's not only decarbonisation measures that improve the quality of residents' daily lives. Our dedicated Healthier Homes team is committed to ensuring properties are free of damp, mould, excessive condensation and structural cracks. Working within the Social Housing Act 2023 regulations, and with early recognition of Awaab's Law, we deliver everything from an emergency repair to a fully planned maintenance programme, helping provide quality homes for residents.

We're also specialists in fire safety and equipment installations, as well as mechanical and electrical compliance. With fire safety rightly still high on the agenda following the Grenfell Tower fire and subsequent cladding issues, our fire safety team helps our clients ensure their properties are safe for residents in line with the latest Building Safety Act requirements.

We employ and continually invest in state-of-the-art, integrated asset management systems that improve our digital compliance and monitoring services. This ensures we can deliver outstanding customer service to our partners, as well as to their residents. This commitment is reflected in an improvement in our Net Promoter Score (NPS) of 12%, up from +43 in 2022 to +48 in 2023, underlining the quality of the relationships we have built with our customers.

CASE STUDY
GUINNESS PARTNERSHIP

Achieving better EPC ratings

EPC 'C' RATING ACHIEVED

FULLY PAS2035 COMPLIANT

Retrofitting social housing will play a huge part in the UK's decarbonisation process over the coming years, and we have a part to play in helping our clients achieve their net zero ambitions.

As part of the government's Social Housing Decarbonisation Fund (SHDF) 'Demonstrator' programme, we completed part-house retrofits on 52 homes managed by The Guinness Partnership to PAS2035 standards.

Our role was to harness innovative decarbonisation solutions and develop a best practice approach that could be used across the rest of Guinness' future social housing retrofit projects.

One of the main goals was to improve the Energy Performance Certificate (EPC) rating of every property to B and C or better, in line with the government's targets for social housing.

We achieved this by introducing external wall insulation and fitting new windows, doors, kitchens and bathrooms where necessary, leading to a projected reduction in energy use.

These energy-efficiency measures were also designed to improve comfort and lifestyle, with many of the new kitchens and bathrooms enhancing functionality and aesthetics for residents.

Retrofit programmes come with their own set of challenges, particularly when working on older buildings. For example, the introduction of energy-efficiency measures must not be done in a way that increases the risk of condensation, damp or mould.

To tackle this risk, we installed small mechanical ventilation systems in the properties, allowing better airflow in the newly insulated homes. Additionally, internal doors were undercut to leave a minimum 10mm gap – also to enhance airflow.

CASE STUDY
LAMBETH BOROUGH COUNCIL

Dedicated healthy homes team launched

100% LOCAL WORKFORCE

30 DISREPAIRS A MONTH

HIGH PRIORITY 'RED LIST'

We have worked with Lambeth Borough Council in south London since April 2021, providing responsive repairs to the local authority's vast portfolio of nearly 17,000 homes under a six-year deal worth £8.7m annually.

Disrepair in social housing has risen to the top of the political agenda in recent years, in particular following the inquest into the tragic mould-related death of Awaab Ishak in Rochdale in 2020. In this context, we understand that disrepair cases must be handled with sensitivity, ensuring residents feel well-informed, safe and supported.

Partly in response to the need for greater sensitivity, in July 2022 – working alongside our partners in Lambeth Council – we changed the way we identify and handle damp, mould and disrepair cases by launching a dedicated 'Lambeth Healthy Homes' team.

This led to the introduction of a five-step process, which culminates in the creation of a 'red list' of the highest priority properties where repairs are needed most urgently.

This approach has produced improved results. In February 2023, we carried out work on 26 disrepair cases, all of which were delivered by our dedicated team of local operatives, based within 15 miles of Lambeth. The team is now on track to deliver 30 disrepair cases a month.

"The innovation and commitment from the team over the last six months has ensured not only high levels of completions for Wates but has led to 'peer competition' with other providers who are now following us," commented Andy Cook, Interim Head of Healthy Homes at Lambeth Council.

WATES **PEOPLE**

CHAIRMAN'S AWARD FINALIST

MENTOR OF THE YEAR

ANDREW BELL

Living Space

FACILITIES MANAGEMENT

WATES FM

At Wates, we believe strongly that making good use of buildings is just as important to our customers as designing and building them in the first place. That is why our facilities management (FM) business is a central part of our offering.

Our teams are passionate about providing a first-class experience to customers; always looking for ways to enhance their business operations and assets. That could be within the sustainability space by maximising building optimisation to create energy and cost savings, or by utilising technology-focused solutions for property maintenance.

With our engineering and technical excellence, we deliver the full range of modern facilities management services to our wide range of clients to ensure their buildings are run effectively and efficiently.

We provide self-delivered mechanical and electrical and total FM services to customers in the public and private sectors. Our specialist teams also help clients future proof their assets with the latest technology-based solutions to aid building optimisation, supporting their journey towards greater sustainability and a net zero future.

Going the extra mile has led to an increased contract scope with one of our biggest customers and we've won several contracts throughout the year, including in new markets.

The past year has been one of consolidation and growth for the business. We increased our revenue by 19.2% with most of the growth coming through contract renewals and extensions. This includes our next generation maintenance partnership with JLL, an £8m contract that has grown from 84 sites in 2022 to almost 150 to date. We have also secured notable contracts with Yorkshire Building Society, QinetiQ and East Midlands Ambulance Service.


JLL offices, Manchester

In addition to expanding our contract with them, HMRC named us as its 'Best Sustainability Supplier of the Year' for developing an innovative ESG strategy and energy management system, reducing CO_2 emissions by over 40,000kg per year.

The work with HMRC is just one example of how we help our clients develop effective sustainability strategies. In addition, we now have a net zero tracker in place that monitors all the decarbonisation work we have undertaken for clients.

We have achieved a fifth year of zero harm, extending our industry-leading health and safety record. The safety of our people, customers and everyone who uses the facilities we maintain is something that we take incredibly seriously, and we are determined to maintain our record in this area.

As we move through 2024, we are excited to help our customers deliver high-quality services and support them in their net zero journey.

CASE STUDY
YORKSHIRE BUILDING SOCIETY

HARD FM AND COMPLIANCE SERVICES

NATIONAL MOBILE TEAM

5 £7m FIVE-YEAR CONTRACT

Boost to banking pipeline

In August 2023 we began a new facilities management contract with Yorkshire Building Society (YBS), worth around £7m over five years.

The contract combines hard FM and compliance services across YBS' property portfolio. This includes 110 branches; 117 agency sites; the building society's Bradford headquarters; three main offices in Leeds, Peterborough and Huddersfield; and its Yorkshire data centre.

Managed by a dedicated team of nine and supported by a national mobile team alongside key supply chain members, we have fully embraced collaboration to get the very best out of the YBS estate and its assets.

This is our first project with YBS, and the contract significantly increases the Group's project pipeline in the banking sector.

RESIDENTIAL

RESIDENTIAL

Partnering with local authorities, housing associations and public bodies, we provide great places to live for everyone

> At Wates, the environment and communities we create are as important as the homes we build, and this year has been no different. Our success in delivering innovative homes using the latest energy-efficient technologies makes me proud of Wates' commitment to a sustainable environment. And the modular homes we are delivering in Cardiff are having a life-changing effect on hundreds of families currently in temporary accommodation. Having a place they can now call home means a sustainable life – both in health and economic terms.

HELEN BUNCH
Executive Managing Director,
Wates Residential

£322.7m
TURNOVER

£2.2bn
FORWARD ORDER BOOK

389
PEOPLE

6%
GROWTH IN HEADCOUNT

3,075
HOMES UNDER CONSTRUCTION

276
HOMES COMPLETED

21
PASSIVHAUS HOMES COMPLETED

3 YEARS
SINCE A REPORTABLE INJURY

70
HOMES SOLD

> We have achieved a third consecutive year with no RiDDOR reports, taking the number of working hours since our last incident to over 9 million.

Our residential business is a leading housing developer and contractor, operating primarily in London, the South of England, and Wales. We invest in, and develop, build and sell homes, partnering with local authorities, housing associations and other public bodies to build thriving communities with sustainability and social value at their core.

At Wates, we constantly strive to find better ways to create the places, communities, and businesses of tomorrow. This year, we have continued our commitment to provide high-quality, safe and low-energy homes in beautiful, landscaped surroundings so that local people can be proud of where they live, and nature can flourish.

Our developments are also supported by an unrivalled programme of social investment, designed to leave a long-term legacy for the communities in which we work.

CONTINUING GROWTH

Despite a difficult operating environment and the ongoing economic headwinds we face as a business, 2023 was still a year of growth for our Residential business. Our headcount has grown to 389 employees, up from 367 a year ago. Meanwhile the number of homes we have delivered has grown to 276.

This growth came despite market and regulatory pressures. These included ongoing cost inflation, the need to comply with the requirements of the Building Safety Act, and the application of new building regulations that slowed the process of getting projects on site.

New contract wins included homes on the Wembley Housing Zone in north London, the Gascoigne East Phase 3B regeneration project in Barking, east London, and the delivery of new modular homes at a former gas works site in Cardiff, helping to alleviate the housing crisis.

We have achieved a third consecutive year with no RiDDOR reports, taking the number of working hours since our last incident to over 9 million. We have also achieved either an 'Excellent' or 'Outstanding' Considerate Contractors Scheme (CCS) score on at least 10 of our projects on site.

Park East,
Erith, Bexley

CASE STUDY
NEW GREEN

Regeneration in Rainham

Now in its fifth year, our partnership with Havering Council in east London is a prime example of how we value lasting relationships with our partners. The joint venture partnership will ultimately deliver 12 regenerated estates with up to 5,000 new homes over 12 years.

At New Green, in Rainham, we have completed 197 affordable homes for local residents. As part of the central commitment to invest in and help existing communities, all residents who were moved offsite to enable the regeneration work to take place, were guaranteed the right to a new property on the same site.

Good infrastructure is central to the success of any regeneration project, and so this redevelopment includes a new basement car park, electric vehicle charging points, and extensive bicycle storage.

All 71 shared-ownership apartments were sold within 11 months of availability, showing the popularity of the project with local people.

In addition to bricks and mortar, the scheme invests in the people of Havering. Together with the council, we have created 161 new jobs, including 21 apprenticeships, and we have generated more than £20m of business for local companies in our supply chain.

> This partnership demonstrates what can be achieved when private enterprise and local government work together towards a common goal. This leaves a lasting legacy for the people of Havering for generations to come.

COUNCILLOR RAY MORGON
Leader of Havering Council

£37m IN SOCIAL VALUE IN TOTAL

£20m OF BUSINESS WITH LOCAL SUPPLIERS

161 JOBS CREATED LOCALLY

21 APPRENTICES EMPLOYED

CASE STUDY
CARDIFF GAS WORKS

Helping alleviate the housing crisis

LOW CARBON TECHNOLOGY

AIR SOURCE HEAT PUMPS

EPC 'A' RATED

HIGH QUALITY MODULAR HOUSING

We pride ourselves on developing and providing innovative solutions to address the ongoing housing shortage, particularly for some of the most vulnerable people in society. This focus on innovation has been at the fore in our work with Cardiff Council, which has seen us provide transitional modular housing for those in need.

The homes, which are also being considered for emergency housing in other areas such as Havering, provide a fast, high-quality, low-cost solution to help those in most urgent housing need.

With backing from the Welsh Government's transitional accommodation capital programme, we are working with Cardiff Council under a development agreement to provide the transitional homes, which range from one to four-bed properties. Half of these homes are 'stackable' on relocation to another site.

Even when it comes to transitional housing, sustainability is important. We have incorporated low-carbon technologies throughout this project, including air-source heat pumps and solar panels, meaning the units achieve EPC A rating.

> It was only a short time ago that these units arrived on site, and it's been lovely to have a look around this bright and spacious temporary accommodation before families move in. The number of families currently needing help from our services is the highest we have ever known, so we really need solutions like these to help us respond quickly to current pressures.

COUNCILLOR LYNDA THORNE
Cabinet Member for Housing and Communities, Cardiff Council

WATES **PEOPLE**

CHAIRMAN'S AWARD WINNER
MENTOR OF THE YEAR

ZOE SHAHABI
Residential

CASE STUDY
GASCOIGNE ESTATE

Building great homes local people can afford

53.2% REDUCTION IN CARBON EMISSIONS ACHIEVED IN PHASE 2

USE OF MODERN METHODS OF CONSTRUCTION

334 NEW HOMES IN PHASE 3

We are now working with Barking and Dagenham Council and their development arm Be First on the third phase of the Gascoigne East regeneration project in east London. The ethos behind this programme is to 'build great homes local people can afford', which is precisely what we and our partners are doing.

The third phase alone will provide 334 new homes, for a mix of market rent, affordable rent and London Affordable Rent. The new homes will be set amidst attractive public landscaping and amenity parks.

As low-energy homes, residents will benefit from reduced heating bills. We have achieved this via a robust energy strategy that has involved the use of Modern Methods of Construction (MMC), such as bathroom pods, prefabricated balconies, precast plank structures and steel framing system (SFS) external walls.

Taken together on Gascoigne West Phase 2 those methods helped to deliver a 53.2% reduction in carbon emissions, exceeding the 48.1% target set at the planning stage and far outstripping the Greater London Authority benchmark for carbon reduction.

Once again, this demonstrates our commitment to not only deliver energy-efficient homes but to do so using less carbon-intensive construction methods.

PASSIVHAUS LOW ENERGY STANDARDS

SUSTAINABLE STEEL FRAMES

UP TO 41% REDUCTION IN ENERGY USE

UP TO 60% SAVING IN ENERGY BILLS

CASE STUDY
WINNALL FLATS, WINCHESTER

Delivering carbon-neutral social housing

Winchester City Council declared a climate emergency in 2019 and has aimed to be carbon neutral by 2030. We are supporting the council's ambitious target by helping it deliver a carbon-neutral social housing scheme in Winnall, using Passivhaus principles.

We are developing two five-storey mixed-tenure residential blocks, designed to Passivhaus low-energy building standards, along with three two-bedroom houses, designed to Association of Environmentally Conscious Builders (AECB) standards.

These homes – along with homes at a similar scheme in Cardiff – can be expected to produce up to a 41% reduction in energy use and save residents up to 60% depending on their usage. The Winnall flats are all available at affordable rent or as shared ownership.

The sustainable performance of these homes has been enabled through use of light, durable steel frames. The METEK frame will last years with zero degradation and requires lighter, cheaper foundations as it weighs less than traditional materials. There is also minimal waste from construction as the frame material is recyclable.

The use of innovative construction methods and materials highlights again our firm commitment to sustainable development.

SUSTAINABILITY REPORT

11 & 12 Wellington Place, Leeds

SUSTAINABILITY REPORT

Making sure we are as sustainable a business as we can be – and setting an example for the industry

45.3% REDUCTION IN MARKET-BASED SCOPE 1 AND 2 CARBON EMISSIONS AGAINST 2019 BASELINE

91.3% OF ELECTRICITY PURCHASED FROM RENEWABLE SOURCES

54.8% OF COMPANY CARS FULLY ELECTRIC

24.2% INCREASE IN WASTE GENERATED IN COMPARISON TO 2022

12% INCREASE IN BNG SCORE ACROSS 54 PROJECTS

£225m SOCIAL VALUE GENERATED[7]

£7m SPEND WITH SOCIAL ENTERPRISES[7]

[7] Figure pending external social value audit and may be subject to change.

Wates is becoming an increasingly sustainable business, embedding practices and behaviours that help us have a positive influence on the environment and make a greater contribution to wider society.

The construction sector is currently responsible for 25% of all UK greenhouse gas emissions – rising to 40% if you include transport related emissions. Our sector is the UK's largest consumer of natural resources, is responsible for over 30% of all its waste, and is a significant contributor to the decline of biodiversity through urbanisation. Companies such as Wates have a pivotal role to play in tackling global warming and reversing biodiversity loss.

Our sector is an important employer and builds critical assets for our society. As one of the largest family-owned development, building and property maintenance companies, we have the opportunity to make long-term investments to support people and organisations critical to future prosperity, in the communities where we work.

We were delighted to appoint Cressida Curtis (pictured left) as our new Group Sustainability Director in December 2023, joining the business at the start of the new year. Cressida sits on the Group's Executive Committee, reporting to Chief Executive Eoghan O'Lionaird, in recognition of our resolute determination to embed sustainability within all our business activities.

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

This section of the annual report provides an update on the actions we have taken during 2023 to improve sustainability outcomes.

Our policies are aligned with the United Nation's Sustainable Development Goals (SDGs) which were designed to be a blueprint to achieve a better and more sustainable future for all. The SDGs were adopted by all 193 Member States of the United Nations in 2015.

The 17 SDGs are widely used by companies as a common framework to guide their business strategies, goals and activities. They provide a powerful aspiration for improving our world, laying out what society needs to focus on and what actions we need to take collectively. In this section of the report we have used icons to highlight where our activities are tied to relevant SDGs.

For more information on the SDGs visit:
www.un.org/sustainabledevelopment/sustainable-development-goals

ENVIRONMENT

ENVIRONMENTAL SUSTAINABILITY PROGRAMME

2023 saw the launch of our Environmental Sustainability Plan which sets out our short and long term targets to drive sustainable outcomes for current and future generations. It is focused on three strategic themes:

- Optimising the use of materials and avoiding waste through resource efficiency
- Reducing our Greenhouse Gas (GHG) emissions
- Driving positive outcomes for the natural environment.

It is designed to help our businesses focus on short-term targets so that we can make real, measurable progress whilst keeping an eye on our progress towards key long-term goals. This means we can simultaneously consider both the short and long-term environmental impact of the projects we work on and the buildings we design, build, and maintain. Taken together, this helps us become a better partner on our customers' own sustainability journeys.

We constantly review and monitor our progress against our long-term targets so we can, where necessary, adapt our plan to address the changing sustainability challenges our planet faces.

TARGETS Supporting these themes is a set of short-term 2025 targets and long-term targets (below):

	RESOURCE EFFICIENCY	GREENHOUSE GASES	NATURAL ENVIRONMENT
Themes	Optimising the use of materials	Reducing Greenhouse Gas emissions	Driving positive outcomes for nature
2025 targets	Pre-manufactured value target of 65%	Carbon neutral for our Scope 1 & 2 emissions	Biodiversity Net Gain of 20%
Long-term targets	Zero waste from our operations by 2045	Net zero carbon for our Scope 1, 2 & 3 emissions by 2045	Adopt Taskforce on Nature-related Financial Disclosures reporting by 2030

To support the delivery of the overall strategy, each of the businesses have produced their own Environmental Implementation Plans, each of which has its own 'action owners' and timescales.

Our targets are aligned to the UN SDGs. These address global challenges including responsible consumption and production, climate action and life on land. Our plan also supports the SDGs related to industry, innovation, and infrastructure, as well as sustainable cities and communities.

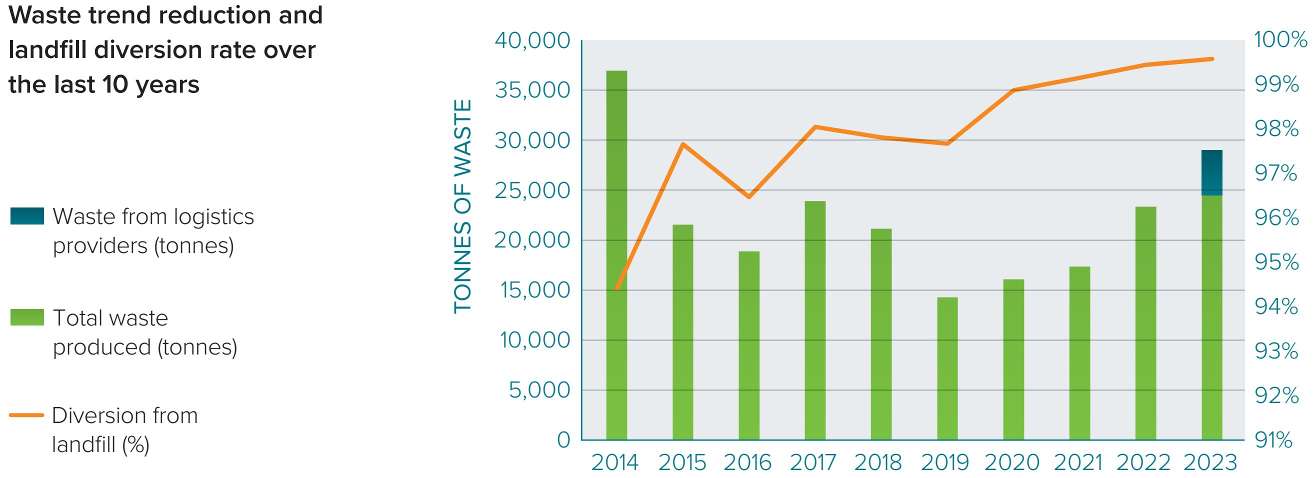
RESOURCE EFFICIENCY

We have pledged to produce zero waste from our operations by 2045, and we are making progress towards that ambitious target.

Over the last 10 years, we have reduced waste from 36,969 tonnes to 29,006 tonnes (see graph), while also improving the accuracy of our waste reporting. We have continued to reduce the number of waste providers that we employ. We now have just six, compared to 35 in 2021.

This change has been driven by the need to provide better data and continually improve performance. The waste data presented includes that from logistics providers for the first time, but does yet not account for waste handled by our specialist subcontractors such as asbestos, excavation and demolition providers. As such, the amount of waste we generated in 2023 was 24% higher than in 2022. The data we now have will allow us to drive waste reductions throughout our operations, by working closely with our supply chain partners.

Waste trend reduction and landfill diversion rate over the last 10 years



One way to design out waste is to embrace Modern Methods of Construction (MMC) wherever possible. We can measure the adoption of MMC by tracking pre-manufactured value (PMV) across construction activities, which is why we have set a PMV target of 65% for our Construction and Residential projects. PMV is the financial proportion of a project's gross construction cost derived through pre-manufacturing. We have tasked our subcontractors to adopt MMCs where possible to drive down waste and improve productivity. We have also been working with our suppliers to identify MMC components that we can readily deploy such as bathroom pods, utility cupboards, balconies, stairs, walls, and door-sets. Our designers are also reviewing other elements of the build that lend themselves to MMC, such as structural frame components and façades. As well as reducing waste, MMC can also help reduce the embodied carbon of the components we use.

In 2023 we worked with Better Delivery to develop a more comprehensive PMV calculator that allows projects to report on both their gross and net PMV, as customers require the PMV data to be reported in different ways.

Our Residential business achieved an average PMV score of 63.7% for 2023. We do not currently have a representative PMV figure for the Construction Group given the different PMV calculators that have been used to date.

While working to reduce waste from our own operations, we will also continue to support our suppliers and subcontractors in their efforts to offer zero waste solutions. As such we have been successfully piloting the use of Pallet Loop across three of our projects. Between them, these projects have so far been able to reclaim over 1,049 pallets. Our aim is to scale this solution across other Wates projects, saving valuable resources from being landfilled or incinerated.

Through our work with Community Wood Recycling we were also able to reclaim 561 tonnes of timber for community projects.

GREENHOUSE GASES

Wates is committed to leading the sector by example when it comes to decarbonisation by becoming a net zero carbon organisation. To coincide with the 2021 COP26 climate summit in Glasgow, we set out our formal science-based targets under the Science-Based Targets initiative (SBTi), a UN-backed initiative to work with companies to reduce emissions. Our near-term SBT was externally validated by the SBTi in October 2022. In November 2023, our long-term emission reduction target was also validated by the SBTi. This commits the Group to achieve net zero GHG emissions across the value chain[1] by 2045.

Our science-based targets are as follows:

Overall net zero target

Wates Group commits to reach net zero GHG emissions across the value chain by 2045.

Near-term targets

Wates Group commits to reduce absolute Scope 1 and 2 GHG emissions by 46.2% by 2030 from a 2019 base year.* Wates Group also commits that 89% of its goods and services suppliers by emissions, will have science-based targets by 2027.

*The target boundary includes land-related emissions and removals from bioenergy feedstocks.

Long-term targets

Wates Group commits to reduce absolute Scope 1 and 2 GHG emissions by 90% by 2045 from a 2019 base year.* Wates Group also commits to reduce absolute Scope 3 GHG emissions by 90% within the same timeframe.

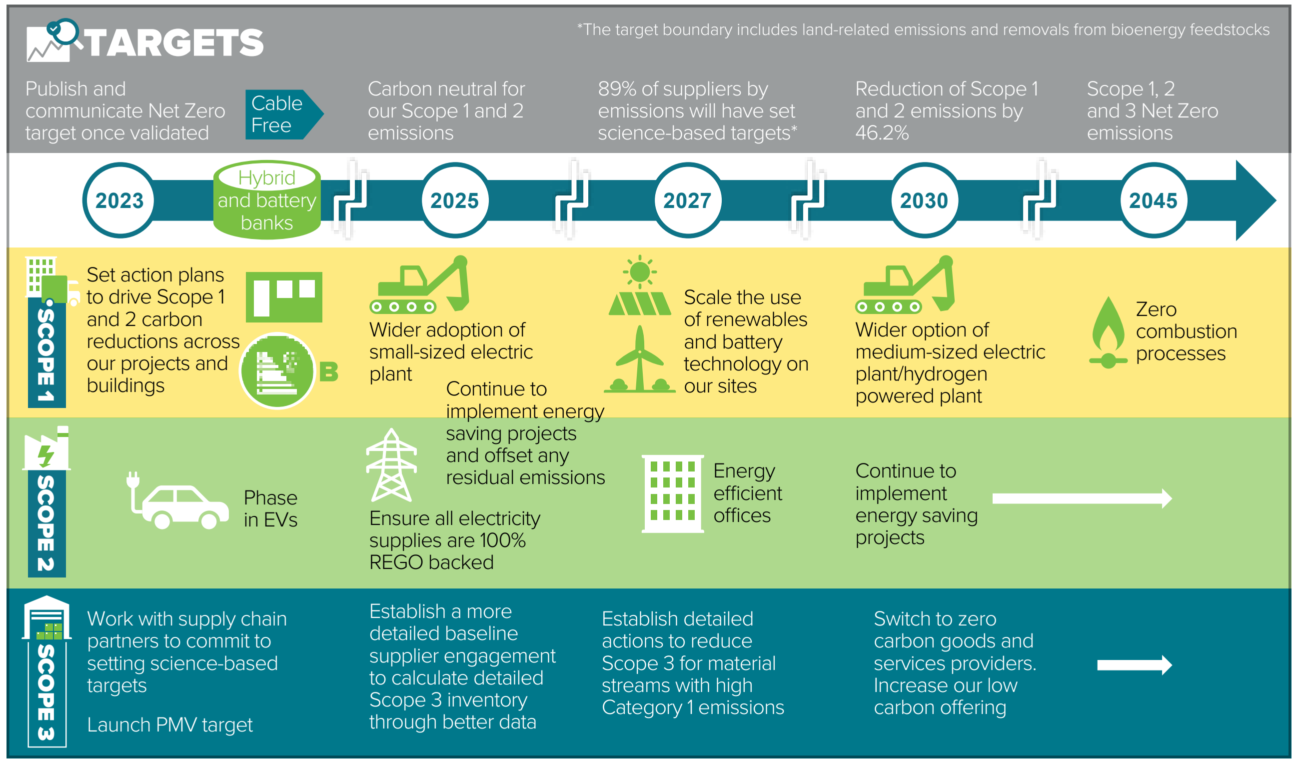
The transition plan below outlines the key milestones and targets we are working towards to decarbonise our operations.

In 2023, we made a good start against the following milestones:

- We appointed two new providers of energy-efficient site accommodation
- We started energy-profiling our site compounds to ensure that we had the most efficient set-up from the start
- We replaced 45 diesel-powered vans with electric vehicles (EV) and increased the number of EVs in our company car fleet from 116 to 245 with another 91 on order
- We installed EV charge points at our head office and invested in energy saving upgrades at our offsite manufacturing plant in Coventry.

We have also worked closely with our supply chain to raise awareness and encourage them to set science-based targets for themselves. The percentage of our top 200 suppliers with SBTs increased from 4% in 2022 to 9.5% in 2023. Where possible we have also been asking suppliers to develop Environmental Product Declarations so we can assess the carbon of the products they provide over their life cycle.

Transition plan



[1] Scope 3 emissions cover both upstream and downstream emissions which is why we reference the value chain. Our Scope 3 emissions are detailed on page 100.

The Group has established a Scope 3 baseline for our 2019 operations and has since calculated our Scope 3 emissions for 2021 and 2022. The vast majority (>98%) of the Group's emissions are Scope 3. The biggest contributor, at 89%, is products and services.

We have calculated our emissions from the products and services category using the UK government's Table 13 tool, an Environmentally Extended Input Output (EEIO) model that uses spend data to derive emissions.

Scope 3 emissions are those outside a company's operational control. These accounted for 444,289 tonnes of CO_2e in 2022, which was 98.8% of our total GHG emissions for the year.

Within Scope 3 emissions, there are 15 categories of which 11 are relevant to Wates. Category 1 – purchased goods and services – accounted for 89% of our emissions.

Delivering Scope 3 emissions reductions is critical to achieving our net zero targets and can only be achieved through close collaboration with our supply chain partners.

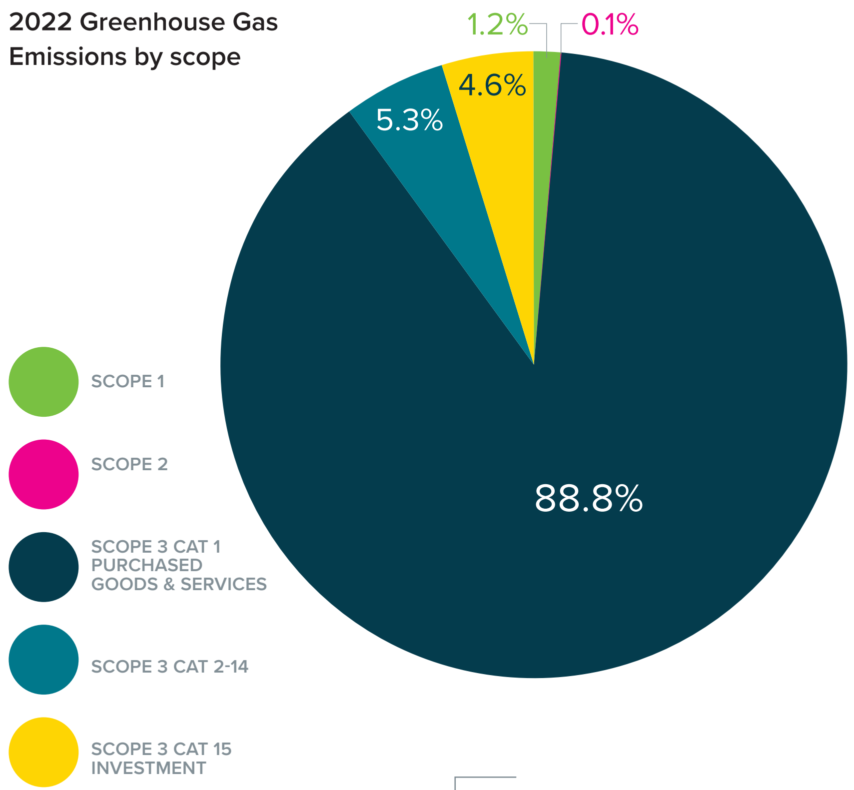
Our near-term science-based target is focused on engaging 89% our suppliers by emissions, to commit to, and set, science-based targets by the end of 2027. We have been working closely with partners such as the Supply Chain Sustainability School to support our suppliers in setting SBTs and capturing their carbon emissions.

We ran 12 supplier events in 2023 to encourage our partners to set SBTs and offer low-carbon products and services.

We have also started to incorporate contract clauses for our framework agreements to require supply chain partners to set SBTs.

In recognition of the variety of projects we deliver, and diversity of the supply chain involved, we are developing minimum material performance and sustainability criteria for our suppliers. These cover key categories of construction materials, with priority given to the largest contributors of carbon, thereby reducing our and our partners' Scope 3 emissions and in-turn the embodied carbon of our projects.

2022 Greenhouse Gas Emissions by scope



We are working with key UK materials manufacturers in strategic partnerships to reduce Scope 3 carbon associated with the materials they deliver to us and to reduce waste from such materials. We are also working with our design consultants to design out carbon from our projects wherever possible.

Whole Life Cycle Assessments are being conducted for an increasing number of projects. These help us understand where the carbon hot spots are and give us options for lowering Scope 3 emissions.

Our commitment to net zero is not only because it is the right thing to do, but also because it is a sound business decision. There has been an increased focus on environmental performance when customers assess tenders for contracts, while many of the frameworks we tender for are requesting that bidders demonstrate their commitment to net zero. There is now a strong focus on net zero in public contracts as a result of the government's construction playbook which we helped redraft. Many private sector customers are also requiring Tier 1 contractors to demonstrate the steps they are taking to decarbonise.

“Delivering Scope 3 emissions reductions is critical to achieving our net zero targets and can only be achieved through close collaboration with our supply chain partners.”

NATURAL ENVIRONMENT

Despite delays to the introduction of mandatory biodiversity net gain (BNG) nationwide until February 2024, we remain committed to meeting our target of 20% BNG by the end of 2025.

To support our projects in managing ecology issues and maximising BNG outcomes, we released the first version of our 'Nature Guidebook' in June 2023. Its purpose is to provide guidance and best practice to projects against the RIBA stages[8]. It is illustrated throughout with case studies and examples from across the business. The Guidebook has laid the groundwork for improving how we at Wates work with and for nature, advancing all our projects towards our 20% BNG target.

A shortened version of the Guidebook is now also available to share with prospective customers and supply chain partners, to demonstrate what we can offer for nature recovery.

In addition to this, we have improved our internal standards and procedures to embed ecology as a key consideration during the planning, design, construction and maintenance of the built environment. As part of this, we have updated our processes and introduced new minimum standards for the services we procure from ecological consultants, which will put nature front and centre of all our projects.

> "We have evidenced that taking a BNG-focused approach to a site from day one delivers a better result at a lower cost."

As BNG is a relatively new measure, we have managed to collect data from only 54 projects across the business, where we can assess our progress in advance of the legal requirement and ensure we actively learn from our performance to date. Across these, we look set to deliver an average BNG of 12% in area-based habitat units, which exceeds the future legal requirement but leaves us with plenty of work to do to hit our own 2025 target.

An example of where we are learning from the insights a BNG approach gives us is our flagship Sandwell Aquatics Centre project. With the initial design found to lead to a net biodiversity loss of 38.56%, our project team worked with ecologists to develop an alternative approach. This has led to an estimated BNG of 11.75%, and evidenced our belief that taking a BNG-focused approach from the first step of a project leads to a far better result at a lower cost.

[8] See RIBA Plan of Work https://www.architecture.com/knowledge-and-resources/resources-landing-page/riba-plan-of-work

SOCIAL VALUE

At Wates, we believe that the creation of social value in the communities where we work is as important as the construction of buildings and infrastructure. Our ambition is to embed social value within every project we work on.

In 2020, we launched our five-year social value strategy: Creating Opportunities. The strategy has three key areas of focus, each with its own ambitious set of targets. These are: **challenging inequality**; **inspiring and educating young people about the built environment sector**; and **supporting and scaling up social enterprises**.

Our focus on these three areas helps people understand and access the high quality opportunities our sector offers, right across the country.

By focusing on those who might face the greatest barriers to prosperity and actively supporting small businesses that deliver social value alongside financial value, we aim to multiply our own social contribution.

CHALLENGING INEQUALITY

As part of our overarching social value strategy, we are committed to recruiting at least one person from one of six identified 'furthest from the workforce' (FFW) groups on every contract by 2025. These include individuals with criminal records, ex-service personnel, those with disabilities, homeless people, care leavers, and the unemployed, including young people not in employment, education or training (NEETs).

We have been particularly focused on improving our approach to recruiting people with criminal records. We are working in partnership with HR Leadership to help us refine and develop our policies and practice in this area. Meanwhile, we have piloted a pre-employment programme to be delivered to prisoners at HMP Highpoint, raising awareness about disclosure requirements.

Senior colleagues, including Group HR Director Paul Rowan, have chaired Employment Advisory Boards (EABs) in prisons, helping to highlight job opportunities in the built environment network.

Hiring ex-offenders is proven to reduce reoffending rates, turn lives around and make society safer.

INSPIRE AND EDUCATE YOUNG PEOPLE

We have already exceeded our target of working with 25,000 children and young people by 2025. We now plan to grow our work with schools and colleges and have re-set this target to 100,000 by the end of 2025.

As part of this work in 2023, we invited 30 young people to a residential summer camp where they had a unique opportunity to explore the construction industry – and the jobs that are available in it – through fun, practical activities.

Of the 30 young people who attended, five have since taken paid summer internships, 12 took part in work experience placements, and 18 took part in site tours on Wates projects.

One attendee, an unaccompanied refugee, said of their experience: "Having only been in this country for a year this is the first time I have had the opportunity to feel part of a community and make friends. I feel my English has also improved as well as my confidence."

SUPPORTING AND SCALING SOCIAL ENTERPRISES

In the UK, social enterprises reinvest £1bn into environmental and social missions every year, so when we spend with social enterprises, the impact of our work goes even further.

We spent over £7m with social enterprises in 2023, meaning we have already far exceeded our original target of spending £25m by 2025. As a result, we have set a new spend target of £36m by 2025.

We have also been continuing to offer our seven-month business mentoring programme to social enterprises in partnership with Impact Hub London. This year BSS, part of the Travis Perkins Group, also joined us as a partner. The ASSETS programme (Assisting Social Enterprises to Succeed) supports our strategic aim of helping five social enterprises achieve national scale by 2025.

Our work with social enterprises extends beyond their involvement in the mentoring programme. We were delighted that several enterprises from both our current and previous cohorts of mentees exhibited at our Supplier Conference.

CASE STUDY
AMBASSADOR THEATRE GROUP

Partnership helps 'Change the Script' for unemployed

As part of our commitment to providing job opportunities to groups of people furthest from the traditional workforce, we partnered with the Ambassador Theatre Group at our iconic Lucent project in central London to offer an innovative new training programme.

'Change the Script' provided three weeks of accredited training for ten local unemployed residents, followed by four weeks of paid work experience on the Lucent project and at West End theatre settings.

The participants gained a wide range of construction skills, as well as in 'off-stage' support roles in the theatre industry – the kind of job roles that were severely impacted during the Covid-19 pandemic.

The intention of the programme was to open the backstage and technical theatre skills world to people who would otherwise be unlikely to access it, while helping to fill skills gaps in the construction industry. Many participants have since gone on to apprenticeships and paid work opportunities, while we continue to support them with CV advice and interview skills coaching.

> "Many participants have since gone on to apprenticeships and paid work opportunities, while we continue to support them with CV advice and interview skills coaching."

SUSTAINABLE INNOVATION

Innovation is key if the construction industry is to meet the challenging targets it has been set in relation to energy-efficiency and reducing carbon emissions.

At Wates, innovation is at the heart of the sustainable solutions we offer to customers who need help on their journeys to a net zero future.

Since 2015, we have supported customers and our own businesses identify, trial and implement innovative sustainable technology through our Sustainable Technology Services offer which was launched in response to customers' ever-growing demand for new products that can improve energy performance.

This was augmented in 2021 through the creation of the Wates Innovation Network (WIN) portal, a unique, free-to-use tool that connects built environment customers to market-leading sustainable innovation products and services.

The portal is growing to keep pace with the emergence of new technologies to support the UK's energy transition. It now has a marketplace of over 100 sustainable innovation companies, while more than 50 connections have been made, resulting in trials that have produced carbon savings in the real world.

In 2023, we also ran two campaigns to source sustainable innovation for our customers.

> “At Wates, innovation is at the heart of the sustainable solutions we offer to customers who need help on their journeys to a net zero future.”

NATIONWIDE COMPETITION WITH LLOYDS BANKING GROUP

We launched a nationwide competition to identify sustainable innovations that could help our long-standing client, the Lloyds Banking Group, meet its ambitious operational carbon pledges, which include reducing Scope 1 and 2 emissions by at least 75% by 2030 and cutting total energy consumption by 50% over the same period.

Together with our client, we invited green tech innovators and providers of low-carbon solutions to showcase products, with the opportunity of becoming a supplier to Lloyds.

Five small or medium-sized businesses were selected as winners from over 200 nationwide applications. The winners had developed a range of innovative green tech products, including a zero-emission boiler (ZEB), an air-powered shower, a smart air brick, wireless self-powered IoT monitoring, and a thermal-imaging based home energy survey app.

Due to the high quality of applicants, a 'highly commended' shortlist was also created for a further group of 10 businesses, including providers of insulation material, environmentally friendly paints and recycling companies. The winning business will support Lloyds' aim to create more sustainable workplaces throughout their office and branch network and extend support for employees looking to make their homes more sustainable.

DRIVING ENERGY AND EFFICIENCY SOLUTIONS IN SOCIAL HOUSING

The government's Social Housing Decarbonisation Fund (SHDF) Wave 2.1 announced in March 2023 provides £778m to decarbonise over 90,000 homes in England. The scale of the programme means there is a pressing need for innovative solutions to deliver energy-efficiency measures at an unprecedented scale.

As a delivery partner for some of the biggest social landlords in the country, we have launched a call for specialist products that improve energy-efficiency, help save money on household energy bills, or improve the sustainability of homes.

Suppliers will be screened by a technical advisory panel of experts, with those successful potentially chosen by social housing providers to pilot their products on the properties that benefit from grants under the SHDF.

PROGRESS ON THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

ALIGNMENT WITH THE TCFD

We recognise that climate change will transform society and business over the short, medium and long term. Tackling climate change requires focus which is why sustainability is one of the Group's key strategic priorities.

In 2020, we became an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), which provides internationally recognised recommendations for the reporting of climate-related financial information. In 2021, we incorporated the TCFD framework into our annual financial disclosures and identified the key activities being undertaken to align ourselves with the recommendations of the TCFD.

In 2022, we were recognised for our climate disclosures as well as the strong connection between our overall strategy and performance by the PwC Building Better Trust Award for Reporting in Private Business.

In aligning ourselves with international standards, as set by the TCFD framework, we are better equipped to mitigate climate related risks and identify opportunities.

GOVERNANCE

We established a TCFD working group to identify and manage climate-related risks and opportunities. This group has representation from across the business and reports into both the Sustainability Committee and the Executive Committee. The responsibilities of both committees are detailed on page 97.

Climate change already influences our strategy; the Group has been working with our customers in recent years to deliver Passivhaus developments, net zero buildings and PAS 2035 and PAS 2038 retrofit schemes. As part of our carbon reduction strategy, we have set both short-term and long-term science-based targets which have been validated by the Science-Based Targets initiative (SBTi) in 2022 and 2023, respectively.

Performance against our targets is tracked and reported to the Executive Committee every month. Sustainability targets form part of every employee's Personal Development Review process to ensure that progress on sustainability forms part of the assessment of individuals' performance. In 2023, we developed a leadership programme with the UKGBC to better enable our senior leadership team to lead the change on sustainability. To date we have trained 35 leaders within Wates.

[9] Three time horizons have been selected, focusing on the short-, medium- and long-term risks and opportunities. The period between 2040 and 2050 is not covered, as our aim is to look at 'mid-century' risks around 2050 rather than a specific set of dates. This is because the science and predictions around short-term and medium-term physical risks are better understood. It becomes much harder to predict when these may materialise when looking at long-term risks.

STRATEGY: IDENTIFYING CLIMATE-RELATED RISKS AND OPPORTUNITIES

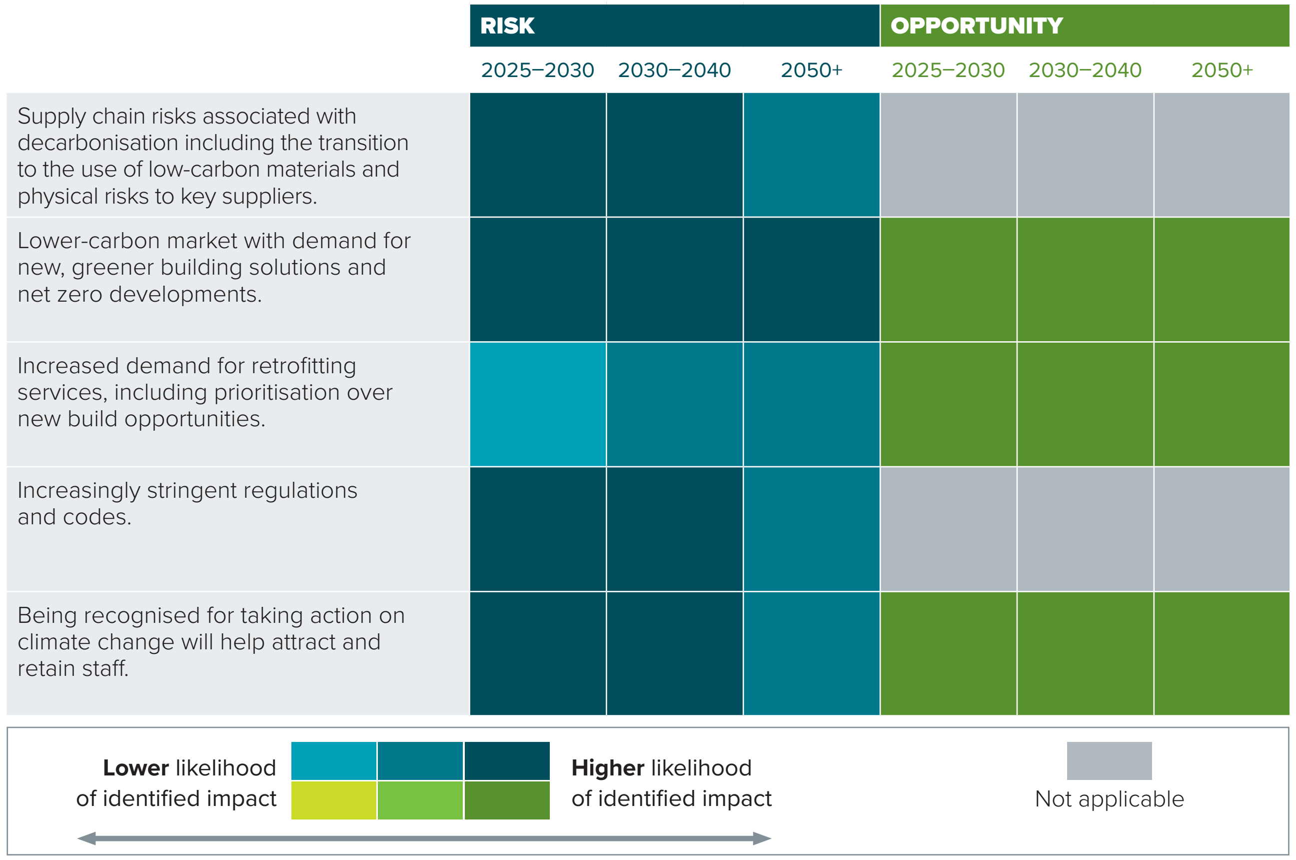
We have identified and developed a deep understanding of the climate-related risks and opportunities that will impact on our business over the short (2025–2030), medium (2030–2040)[9] and long term (2050 onwards). As a result, we have developed two key climate scenarios: one which characterises the inherent physical risks associated with climate change under a high-emissions scenario; and the other which addresses the transition to a low-carbon economy under a balanced net zero pathway scenario.

In a series of workshops, senior leaders from across the Group identified potential risks and opportunities posed to the business under the two scenarios. The impacts of both the transition and physical risks were considered, as well as the potential consequences and measures that could mitigate these impacts. Under a balanced net zero pathway scenario, the working group concluded that the transition risks and opportunities are likely to have a more material impact on us in the short and medium term. Physical risks are more likely to impact our operations in the long term.

Also in 2023, we ran a complementary series of workshops with our leadership teams to identify potential business growth opportunities around climate change that we can incorporate into our business strategy. We will report on these in more detail in next year's annual report.

CLIMATE-RELATED IMPACTS

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



DESCRIPTION OF RISKS AND OPPORTUNITIES

Supply chain

The net zero agenda is clearly both a principal risk and significant opportunity for us. Given that our supply chain accounts for 89% of our total carbon emissions, interactions with our supply chain partners will have a material effect on the pace at which we can decarbonise.

Demand for greener buildings

Rapid decarbonisation would result in fewer new build opportunities but an increased number of retrofit opportunities, especially given that 80% of the UK's existing building stock will still be in use in 2050.

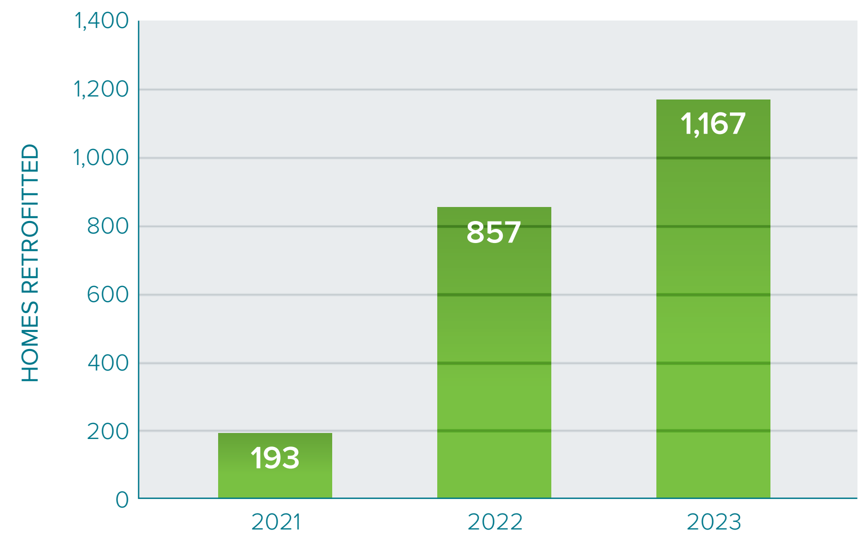
Whilst the UK government has scrapped plans for all privately rented residential accommodation to achieve an EPC rating of at least C by 2028, it has retained its target that all homes in England and Wales reach that level by 2035. Many social housing providers are still taking voluntary action to improve the energy-efficiency of their building stock. This action is driven by the high fuel costs that tenants are facing, as well as a renewed push to combat health issues caused by damp and mould. Government funding through the Social Housing Decarbonisation Funding (SHDF) requires properties to meet a minimum EPC rating of C.

Private rented non-domestic builds will need to have an Energy Performance of B or better by 2030; 87% of the current building stock will therefore need retrofitting, presenting construction firms with a significant commercial opportunity.

Increasing demand for retrofit

Over the past three years, we retrofitted 2,217 social homes to PAS 2035 standards to improve their energy-efficiency across 17 schemes using a fabric first approach. Of these, 1,167 were completed in 2023, representing a 36% increase on what we achieved in 2022 (see bar chart).

PAS 2035 retrofit schemes completed in 2021, 2022 and 2023.



In 2023 we were successful in supporting our customers' bids for over £100m of SHDF Wave 2.1 funding, which has resulted in us securing £125m of contracts to retrofit 5,000 homes from September 2023 to September 2025 across 19 schemes.

Over the last three years, we have scaled our domestic retrofit programme from approximately £3.4m in 2021 to £15.4m in 2022 and to £36.8m in 2023, with a forecast of £88.0m in 2024, partly as a result of SHDF Wave 2.1 projects. This pipeline of work has allowed us to scale our operations accordingly. The government's Autumn statement in November 2023 committed the government to spending a further £2.8bn under SHDF Wave 3, which is due to become available from 2025.

Increasingly stringent codes

In 2023, our Construction Group completed 10 BREEAM projects, reflecting a clear desire from customers to have more sustainable and low carbon buildings.

We have witnessed a growing demand for BREEAM Outstanding projects at the preconstruction stage.

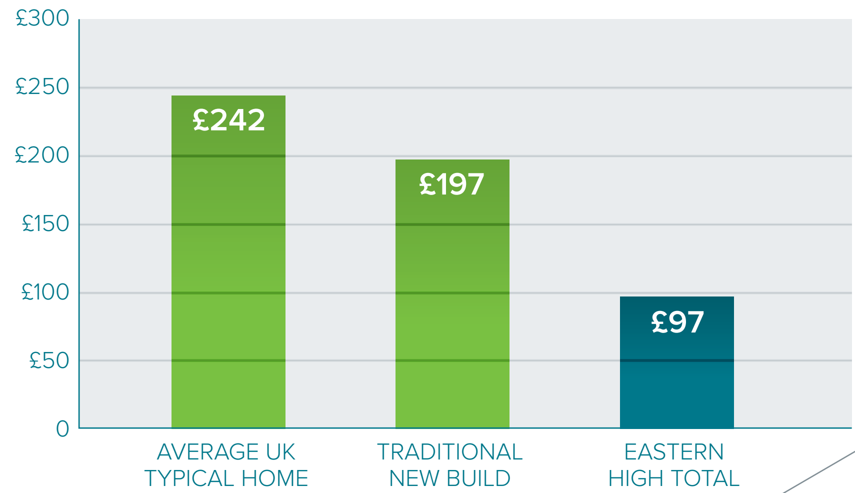
In 2023, 85% of the projects that we worked on at preconstruction stage were BREEAM Outstanding. These are likely to become live BREEAM Outstanding projects next year. 71% of the live BREEAM projects we were working on or completed in 2023 were BREEAM Excellent and 21% were BREEAM Outstanding.

This suggests that customers are factoring better energy-efficiency and wider sustainability considerations into their designs. The project value associated with the BREEAM projects that we were working on or that we completed in 2023 amounted to £2.55 billion.

Within our Residential business we have also seen increased demand for modular, energy-efficient buildings that can be deployed rapidly to address the housing shortage. In 2023, we completed phase 1 of the Gasworks in Cardiff for 155 modular homes and have also started work on Eagleswell in Cardiff for a further 90 homes.

We have also witnessed a greater interest for post occupancy evaluation (POE). On Eastern High, where we have built some of our most energy-efficient housing for Cardiff Council, we have been able to halve monthly energy bills in comparison to modern homes. (See below)

Monthly energy bill based on energy data from 26 occupants from Eastern High over a period of 12 months compared to data from a typical UK home and a traditional new build.



Cardiff Council, a long-term partner of our Residential business, has also been at the forefront of driving low-carbon timber frame buildings, such as those that we have recently completed at Llanrumney.

Attracting and retaining people

Being able to attract and retain employees will be influenced by how sustainable we are perceived to be as a business and how integrated sustainability is in our governance and decision-making processes. The requirement for companies like Wates to demonstrate tangible results that have a material impact is only likely to grow.

The measures identified to mitigate potential risks and maximise opportunities have been integrated into the strategy and governance of the Group and will guide our activities in the coming year.

Physical climate-related risks

While physical risks are less likely to impact our operations, we can expect more intense rainfall events over shorter periods of time in the future under any of the climate scenarios predicted. Winter periods may be milder and wetter, providing different build programme timetables to be managed, as well as the risk of pathogen and transmittable airborne health conditions affecting the workforce. Summers are projected to become drier, with protracted periods of drought subject to intensive storm events. There is therefore the potential for less water to be absorbed by the soil and a greater risk of erosion and run-off.

On the one hand, this could lead to local authorities introducing more water-neutrality designations affecting future developments; and on the other hand, it could lead to more phosphates and nitrogen being washed into watercourses during periods of heavy rainfall, leading to restrictions on developments to be nutrient-neutral. At present, we do not believe that this causes a principal risk, but we will be monitoring developments in this area. We are also devising financial metrics to track climate-related impacts.

RISK MANAGEMENT

Wates uses an enterprise risk management (ERM) framework to track our risks and opportunities. The findings of the climate scenario workshops have been reflected in our principal risk on 'Climate Change'. Where the findings guide other principal risks, these have also been identified, and are disclosed on page 127.

METRICS AND TARGETS

To track progress against our 2025 carbon reduction target, we monitor our GHG emissions for our Scope 1 and 2 operations. We use both location and market-based approaches to report against our absolute GHG emissions as well as an intensity metric to track emissions against turnover. The Group has defined the boundaries of our Scope 3 emissions and developed a baseline for 2019.

Out of the 15 Scope 3 categories, 11 are relevant. Scope 3 emissions make up 98% of our GHG emissions. These were calculated using an environmentally extended input-output (EEIO) model. Our aim is to phase out the use of EEIO conversion factors over time and phase in the use of actual carbon data. To this end, we have been trialling different software solutions to capture Scope 3 data.

Given that every project is different and effectively has its own supply chain, we are prioritising large spend categories first. This will allow us to build up a more accurate understanding of our carbon hotspots over time so we can collaborate with our supply chain partners and customers to reduce emissions. In 2023, we calculated our 2022 Scope 3 emissions and published this on our website. We will continue to use our website to publish our Scope 3 data as it takes longer to collate this information than our Scope 1 and 2 data.

	ACTIONS	FY2020	FY2021	FY2022	FY2023	FY2024
GOVERNANCE **Disclose Wates' governance around climate-related risks and opportunities.**	Hold the Sustainability Committee three times a year to improve Board oversight of climate-related impacts and opportunities.	Ongoing action	Ongoing action	Ongoing action	Ongoing action	Ongoing action
	Appoint Environmental Sustainability Director to lead on the Group's net zero transition and lead on TCFD disclosures.		Completed			
	Report progress against sustainability targets to the Executive Committee on a monthly basis.		Completed	Completed	Completed	Ongoing action
	Hold TCFD working group meetings to report to the Sustainability Committee on progress against climate-related risks and opportunities on a quarterly basis. Review and update principal environmental risks, including physical and transition risks related to climate change, into the Group's strategic risk report annually.		Committed / started	Ongoing action	Ongoing action	Ongoing action
STRATEGY **Disclose the actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy and financial planning, where such information is material.**	Undertake scenario analysis workshops to identify physical and transition risks and opportunities over the short, medium and long term.	Committed / started	Completed			
	Incorporate climate-related risks and opportunities into business planning and strategy development.		Committed / started	Committed / started	Ongoing action	Ongoing action
	Quantify the impact of climate-related risks and opportunities on the business to inform strategy and financial planning.		Committed / started	Ongoing action	Ongoing action	Ongoing action
RISK MANAGEMENT **Disclose how Wates identifies, assesses and manages climate-related risks.**	Review and update principal environmental risks, including physical and transition risks related to climate change, into the Group's strategic risk report annually.	Completed	Completed	Completed	Completed	Ongoing action
	Review climate-related risks in the company's financial risk register annually.	Committed / started	Completed	Completed	Completed	Ongoing action
METRICS AND TARGETS **Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.**	Disclose Scope 1 and 2 greenhouse gas emissions in the Streamlined Energy and Carbon Report (SECR) submission annually.	Completed	Completed	Completed	Completed	Ongoing action
	Develop Scope 3 reporting boundary and baseline.		Completed			
	Establish science-based targets and develop a supporting action plan to achieve emissions reduction targets and reach carbon neutrality by 2025 (see page 86 for supply chain science-based targets and metrics).		Committed / started	Ongoing action	Completed	
	Establish metrics and improve data reporting to monitor performance related to identified risks and opportunities.		Committed / started	Ongoing action	Ongoing action	Ongoing action

Committed / started   Ongoing action   Completed

STREAMLINED ENERGY AND CARBON REPORT (SECR)

Wates is committed to becoming a more sustainable company. In 2020, we set ourselves a target to become carbon neutral from Scope 1 and 2 emissions. We took this further in 2021 by committing to set a formal near-term and net zero target under the Science-Based Targets initiative (SBTi) and by signing up to the Race to Zero campaign, committing to halve our Scope 1, 2, and 3 emissions by 2030 against a 2019 baseline. Our aim is to be net zero by 2045. In 2022, we had our near-term SBT validated by the SBTi. In 2023, when we had our net zero target externally validated, we were one of only three UK Tier 1 contractors to hold both a near-term and net zero SBT.

REPORTING PERIOD

We are reporting for the calendar year 2023, providing 2022, 2021 and 2020 as comparative years and 2019 as a baseline year.

ENVIRONMENTAL INDICATORS

Wates operates an ISO 14001-compliant environmental management system for the Group, excluding Wates Developments, Prism and Needspace. Our management system ensures processes to capture greenhouse gas (GHG) data from our operations are in line with SECR reporting requirements and the GHG Protocol. The different fuel types used during the compliance year are detailed on page 101. There were no incidents of fugitive emission losses in 2023 that would have increased our emissions.

REPORTING BOUNDARY

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

MEASUREMENT METHODOLOGY

Our carbon footprint covers Scope 1, 2 and two selected Scope 3 emission sources: business travel and waste. The footprint is calculated in accordance with the GHG Protocol. Emissions from waste were reported for the first time in 2021 and we have continued to capture this data since then.

Waste data does not account for waste handled by our specialist subcontractors such as asbestos, excavation and demolition providers. Outputs are reported in MWh and CO_2e (carbon dioxide equivalent), using the most recent available conversion factors from the Department of Energy Security & Net Zero.[10]

- GHG emissions are reported using both the location and market-based reporting methodology.
- The location-based method reflects the average emissions intensity of the UK electricity grid which is steadily decreasing.
- The market-based method reflects the emissions from renewable electricity tariffs that we have chosen to purchase that are backed by Renewable Guarantees of Origin (REGO) certificates. An emissions factor of zero tonnes of CO_2e per MWh has been applied in these cases accordingly.
- In 2023, 8,899MWh of the Group's electricity supplies were from renewable sources backed by REGOs. Where REGOs were not available, a residual mix emission factor[11] has been applied.
- Further detail on the different fuel types has been provided in the energy table (see page 101).
- In comparative years, red diesel (gas oil) figures include kerosene. The business stopped purchasing red diesel in mid-March 2022. This explains why there has been a reduction in red diesel usage and an increase in overall diesel usage over time.
- The Scope 3 data for business travel and waste in 2021, 2022 and 2023 includes GHG emissions associated with hotel stays, flights, and business mileage expenses from non-company car vehicles. Business travel for company cars falls under Scope 1 for petrol or diesel vehicles or Scope 2 for electric vehicles.

ADJUSTMENTS

No adjustments to prior year data were made in 2023.

[10] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1166237/ghg-conversion-factors-2023-full-file-update.xlsx

[11] This is defined by the GHG Protocol as, "default emission factors representing the untracked or unclaimed energy and emissions if a company does not have other contractual information that meets the Scope 2 Quality Criteria".

ENERGY AND CARBON PERFORMANCE COMMENTARY

Despite an increase in Group turnover of 17.6% in 2023, we have continued to reduce our GHG intensity ratios. Our performance against our 2019 baseline is as follows:

- Absolute location-based Scope 1 and 2 emissions measured in tonnes of CO_2e have reduced by 44.3% from 14,273 tonnes to 7,952 tonnes.
- Market-based Scope 1 and 2 emissions measured in tonnes of CO_2e have reduced by 45.3% from 11,557 tonnes to 6,318 tonnes, an increase of 695 tonnes on last year.
- Location-based intensity ratio for Scope 1, 2 and 3 emissions for business travel and waste reduced from 11.8 tonnes of CO_2e/£m turnover to 5.7 tonnes of CO_2e/£m turnover in 2023.
- Market-based CO_2e intensity ratio reduced from an initial rate of 10.1 tonnes of CO_2e/£m turnover in 2019 to 4.9 tonnes of CO_2e/£m turnover in 2023.
- The slight increase in Scope 2 emissions can be explained by an increase in non-renewable electricity used by increased occupancy and electricity use from some of our Needspace properties that were on non-renewable tariff contracts and some public charging points that used non-renewable electricity.
- Despite this, 91.3% of all electricity purchased by the Group – a total of 8,899 MWh – was from renewable sources, higher than 2022.
- Both petrol and diesel use for vehicles has increased significantly over the year. This is a result of an increase in activity in Wates Property Services (WPS), which now has a fleet of 846 vehicles of which 793 are diesel vans, eight are electric vans and 45 are electric cars. This compares to a fleet of 670 vans in 2022. The 18.35% increase in vans has led to a 4.8% increase in CO_2e emissions. WPS is working on options to transition its fleet entirely to electric. At present, electric vehicles make up 6.3% of the commercial fleet. We have placed orders for next year to increase the number of electric commercial vehicles to 124, which would account for 14.7% of the fleet.
- The percentage of company cars that are EVs has increased from 34% in 2022 to 54% in 2023. The vast majority (84%) of all new orders are now for EVs. This is despite the fleet size growing by 23%. We believe that the incentives we now provide for EVs has partly driven this increase. Another factor is that we have limited new company cars to EVs and plug-in hybrids (PHEVs). PHEVs have increased as a proportion of the fleet from 13% to 14% over the same period.
- 2023 also saw the launch of our new salary sacrifice scheme for EVs with the aim of addressing CO_2 emissions from our 'grey' fleet.
- Expensed business mileage has increased significantly, with far more travel being undertaken by car. Train cancellations, reduced services and strikes led to more staff opting to travel by car. We also held more face-to-face meetings with customers and our supply chain partners in 2023 as businesses became more accustomed to operating with no Covid restrictions in place.
- On-site diesel use by our projects increased to 20,011 MWh in 2023 from 17,129 MWh in 2022 (with red diesel and diesel figures being combined for comparison). This has been mainly due to an increase in projects where temporary electrics were not available when these started.

Absolute tonnes of CO2e

	BASE YEAR 2019	2020	2021	2022	2023
Scope 1	9,091	6,061	5,335	5,231	**5,836°**
Scope 2 (location-based)	5,182	2,320	1,370	1,527	**2,116°**
Scope 2 (market-based)	2,466	816	314	392	**482°**
Scope 3 for business travel and waste*	4,054	2,244	2,673	3,540	**3,972°**
Total Scope 1 and 2 carbon emissions (location-based)	14,273	8,381	6,705	6,758	**7,952**
Total Scope 1 and 2 carbon emissions (market-based)	11,557	6,877	5,649	5,623	**6,318**
Total Scope 1, 2 and 3 carbon emissions (location-based)	18,327	10,625	9,378	10,298	**11,924**
Total Scope 1 and 2 carbon emissions/per £m (market-based)	7.5	4.4	3.7	3.2	**3.0**
Total Scope 1, 2 and 3 carbon emissions per £m revenue (market-based) including business travel and waste	10.1	5.9	5.5	5.1	**4.9**
Total Scope 1, 2 and 3 carbon emissions per £m revenue (location-based) including business travel and waste	11.8	6.9	6.2	5.8	**5.7**

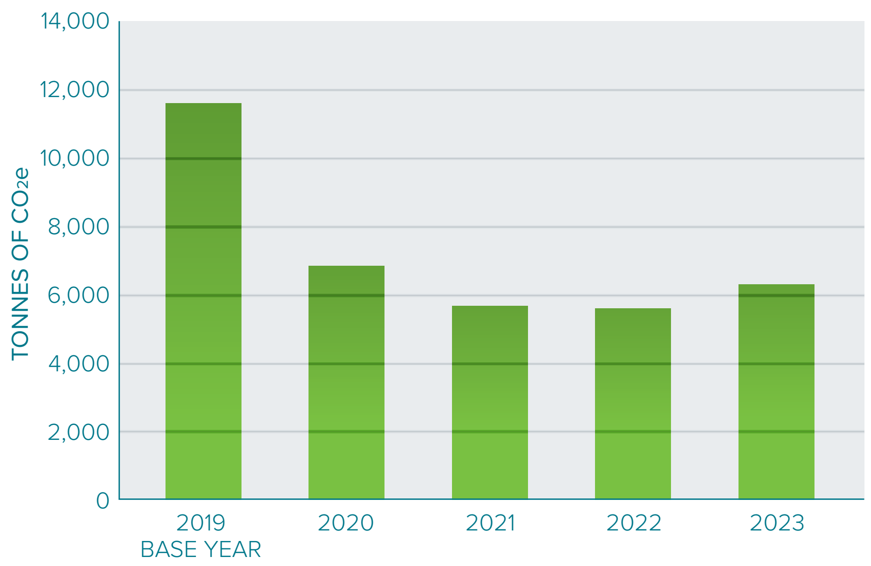
*GHG emissions from waste data was captured in 2021 for the first time.

ASSURANCE

The Carbon Trust was engaged to undertake limited assurance of the Group's Scope 1, 2 and selected Scope 3 emissions (waste and business travel), using the international standard ISO 14064-3:2019[6] over the GHG data that has been highlighted in this report with the symbol "°".

The Carbon Trust's full statement is available at: **www.wates.co.uk/GHGassurance**. Limited assurance represents a substantially lower level of audit than a reasonable assurance engagement. To reach its opinion, the Carbon Trust undertook a range of procedures on our GHG data. A summary of this work is included within its assurance statement.

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



[6] ISO 14064-3:2019 is an international standard that specifies principles and requirements also guidance for the verifying and validating of greenhouse gas statements.

Energy Use in MWh

SOURCE	BASE YEAR 2019	2020	2021	2022	2023
Natural Gas	10,808	3,295	1,642	2,504	**2,559**
Electricity (non-renewable sources)	12,470	1,745	979	1,038	**851**
Electricity (renewable sources)	6,713	7,359	5,451	6,720	**8,899**
Red Diesel (Gas Oil)	12,805	7,859	4,086	2,303	**-**
Petrol (biofuel blend)	125	42	313	277	**290**
Diesel (biofuel blend)	12,606	12,234	15,128	14,826	**20,011**
LPG	2	4	0.4	2.2	**-**
Kerosene	-	-	85	6	**-**
Biodiesel (HVO)	-	-	743	582	**233**
Butane	-	-	-	2	**-**
Propane	-	-	-	139	**306**
Two Stroke (Lubricant)	-	-	1	-	**77**
Business Travel	30,263	5,409	10,114	13,668	**14,685**
Total MWh	**85,792**	**37,947**	**38,542**	**42,067**	**47,911**

"In order to accelerate the actions on sustainability across all disciplines within Wates, we have been running an environmental leadership programme for our senior leadership teams."

ENVIRONMENTAL COMPLIANCE

In addition to the Environmental Sustainability Plan targets, Wates actively manages its working environment to ensure risk of impact on or from the environment is proactively controlled, with mitigation to prevent harm to the environment.

In 2023, we improved the data reporting capabilities of our Environmental Incident Reporting tool to allow better categorisation of environmental incidents as well as better trend and route cause analysis. As a result of this refresh, we have been able to run more targeted campaigns for our projects and prevent serious incidents.

Wates did not receive any fines over the reporting period by environmental regulators.

ENVIRONMENTAL AWARENESS

In order to accelerate the actions on sustainability across all disciplines within Wates, we have been running an environmental leadership programme for our senior leadership teams. The programme, which has been specifically designed for Wates, takes place over several days during a three-month period. So far, we have run three training programmes for 36 of our senior leaders alongside the UKGBC, which designed and facilitated the training. This equates to 18% of our senior leaders.

WATES FAMILY ENTERPRISE TRUST

Wates Family
ENTERPRISE TRUST

Working tirelessly to cement Wates' place as a force for good in society

The Wates Family Enterprise Trust (WFET) is an independent UK charity, set up by the Wates family in 2008. It was established because the Wates family believe passionately in being responsible business owners, and that business can be a force for good in society.

Over its 15-year lifespan, the Trust has donated nearly £17m to charitable activities close to the hearts of Wates' employees and supported more than 2,000 organisations.

WFET is entirely independent of the Wates Group. This status is important because it enables the Trust to apply its own set of principles and values, which in turn guide its approach to delivering the greatest impact and public benefit from its work. The Group makes an annual contribution which is then used by the Trust to distribute grants. In 2023, this contribution was £1.5m to support the Trust's work.

In recent years, the Trust's work has focused on three strategic areas:

- **Quality homes for all**
- **Sustainability** including the development of nature-based neighbourhoods
- **Creating better life opportunities for young people.**

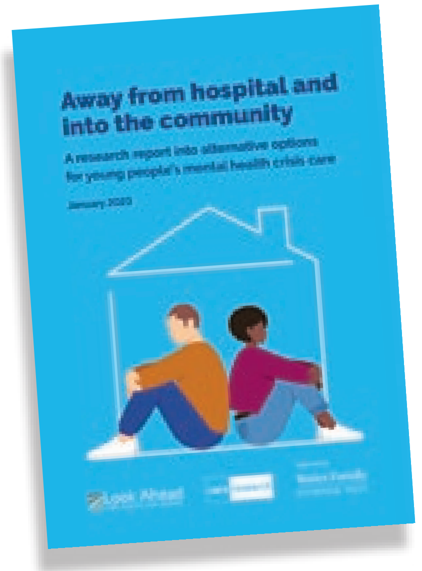
In 2023, the Trust awarded almost £700,000 across these three strategic priorities.

FOCUS ON HOMES

The Trust funds several projects that aim to understand how it can begin to address the UK's acute housing shortage.

The WFET Housing Impact Report, for example, provided a review of the last five years' worth of funding for housing, alongside an explanation of how and why the Trust now talks about 'homes' instead of housing.

Earlier in the year, the Trust funded a research project to understand the need for community-based accommodation services for young people experiencing severe mental health crises. First stage results were presented at the House of Lords, and WFET funds are now being used to place pilot-and-evaluate services, in two London properties, providing dedicated accommodation for young people.


Away from hospital and into the community
A research report into alternative options for young people's mental health crisis care
January 2023

Another key grant in the year was to the research group More in Common with the aim of understanding public opinion on the provision of more affordable housing and housebuilding.

100 for 500 let's get giving!

EMPLOYEES HELP US GIVE BACK

The Trust awards dozens of smaller grants through a system of employee nominations, meaning it contributes to those causes closest to our own people's hearts. In 2023, a total of £195,000 was awarded through these contributions. Wates employees themselves raised a further £175,000 to support over 200 charities and other organisations, with another £90,000 given as matched funding by the Trust.

The year's fundraising efforts marked a resurgence of activity, after such events became harder to arrange during the pandemic years. The total raised in 2023 takes employee contributions since the Trust was founded, to £1.96m in support of over 1,000 organisations.

Included in that number is the small-charity-focused '100 for 500: Let's Get Giving' campaign, which began during the pandemic, to support grassroots organisations. Through the scheme, Wates employees nominate local community charities to receive one-off £500 grants. In 2023, the Trust handed out £53,000 through the campaign in just one week.

WORKING TOGETHER

Our Thinking Differently Award scheme brings together the Wates Family Enterprise Trust and Wates Group in a shared goal of supporting smaller community-based charities or social enterprises with a strategic challenge. The Trust provides a financial grant while Wates Group employees provide professional, in-kind resources.

In 2023, the Trust made two new Thinking Differently awards amounting to £120,000:

Working Wardrobe, based in South Wales, provides interview clothing for people looking for work. The project gives people confidence and self-belief and supports them in their first steps towards new employment.

Down to Earth Derby is a social enterprise whose focus is to make the city of Derby greener, and encourage nature-based regeneration. Its first project, the Electric Daisy events space, is a vibrant community garden in Derby city centre delivering workshops and community events.

WATES GROUP BOARD

Standing, from left to right: Jonathan Wates, Sir James Wates CBE, Jonathan Oatley, Andrew Wates, Charles Wates, Philip Wainwright.
Seated, from left to right: Elizabeth Reilly, Eoghan O'Lionaird, Timothy Wates, Rachel Addison, Paul Chandler.

The Group Board is comprised of the Chairman; Deputy Chairman; Chief Executive; Chief Financial Officer; Executive Managing Director of the Construction Group (consisting of Wates Construction and SES Engineering Services); two independent non-executive directors; and four family directors.

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

Timothy Wates

CHAIRMAN

Timothy (Tim) Wates joined Wates in 1993 and was appointed Chairman in May 2023. His career in Wates has been predominantly focused on housing and finance and he has a particular interest and expertise around the interface between the private and public sectors. He previously served as Chairman of the Coast for Capital LEP, sits on the Advisory Board of the Judge Business School at Cambridge University and is a trustee of various Wates Family charities as well as being an NED of two SMEs. He is a Deputy Lieutenant of Surrey, serving as High Sheriff of Surrey 2023 / 2024.

Eoghan O'Lionaird

CHIEF EXECUTIVE

Eoghan O'Lionaird joined Wates as Chief Executive in February 2023. He sits on the Group Board, Executive Committee and Sustainability Committee. He was previously Chief Executive of FTSE-listed marine services company James Fisher and Sons plc and has held executive roles at Spectris plc, Danaher Corporation, Philips and Mitsui Kinzoku. Eoghan is fluent in Irish and Japanese, and has Bachelor and Master's degrees in engineering as well as an MBA.

Jonathan Oatley

DEPUTY CHAIRMAN

Jonathan (Joe) Oatley was appointed to the Board as a non-executive director in July 2017 and assumed the role of Deputy Chairman in May 2023. Formerly Chief Executive at Cape plc and prior to that Chief Executive of Hamworthy plc, Joe spent his earlier career in the engineering sector across a broad range of roles. Joe is currently a member of the Audit Committee and Nominations Committee, having served as Chair of the Wates Remuneration Committee for four years.

Rachel Addison

INDEPENDENT NON-EXECUTIVE DIRECTOR

Rachel Addison is a member of the Institute of Chartered Accountants in England and Wales. She was appointed to the Board as a non-executive director and Chair of the Audit Committee in July 2023, and is a member of the Remuneration Committee. With nearly 30 years of finance and operational management experience, Rachel has held several executive board level and senior management roles including at Future plc, TI Media Limited, Reach Regionals, Northcliffe Media Limited and Boots the Chemist.

Elizabeth Reilly

INDEPENDENT NON-EXECUTIVE DIRECTOR

Elizabeth (Liz) Reilly was appointed to the Board as a non-executive director and Chair of the Remuneration Committee in October 2023. She is also a member of the Sustainability Committee. Liz has more than 30 years of executive experience in organisational design and development, talent management, reward and cultural transformation. Until recently she was Group Human Resources Director at SEGRO, and previously the Group HR Director for FCC Environment UK, Prior to this, Liz was at J Sainsbury plc.

Sir James Wates CBE

DIRECTOR

Sir James Wates joined the Wates Group in 1983 and was appointed to the Board in 1997. He served as Chairman from 2013 to 2023 and is currently a member of the Nominations Committee. Outside of the company, James is Chairman of FBUK (Family Business UK), Chairman of Vestey Holdings and a non-executive director of Argent Services LLP. Sir James feels passionately that good business, well done, is a force for good in society. In 2012 he was awarded the CBE and in 2019 was knighted for services to business and to charity.

Andrew Wates

DIRECTOR

Andrew (Andy) Wates joined the Group in 1995, and was appointed to the Board in 2011. A member of the Audit Committee and Nominations Committee, he is also Chairman of the Wates Family Enterprise Trust and chairs the Wates Investment Partnership – the family's long-term investment portfolio. In 2023 he became Chairman of the Wates Family Council and the Family Shareholder Forum. Externally Andy is active within the Family Business UK organisation, and is a Director with No Going Back Cleaning and Support Services C.I.C.

Charles Wates

DIRECTOR

Charles (Charlie) Wates was appointed to the Wates Board in 2011. He is a chartered surveyor with over 20 years' experience in the commercial property sector and the founder and former Managing Director of Needspace, Wates' managed workspace division. He currently serves as a member of the Remuneration and Sustainability committees and is Chair of the Next Generation Committee. Outside of the company, he is a member of the British Council of Offices and British Property Federation.

Jonathan Wates

DIRECTOR

Jonathan (Jonny) Wates joined the Wates Group Board in 2008, and previously served as Group Head of Strategy and Sales Director of Wates Homes Ltd. He chairs the Board Sustainability Committee and is a Trustee of the Wates Family Enterprise Trust, the William Wates Memorial Trust and the Wates Foundation. Outside Wates he is a Trustee of Forum for the Future; an advisory Board Member for the Centre for Climate Change and Social Transformations, and an Ambassador of the World Benchmarking Alliance, among others.

Philip Wainwright

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Philip Wainwright joined Wates as Chief Financial Officer in December 2018 and sits on the Group Board, Executive Committee and Sustainability Committee. Philip has a degree in mechanical engineering and began his career as a graduate engineer with Balfour Beatty, before qualifying as a chartered accountant with Ernst & Young. He has over 20 years' experience in international and UK development and construction.

Paul Chandler

EXECUTIVE MANAGING DIRECTOR, WATES CONSTRUCTION GROUP

Paul Chandler joined the Wates Group board in 2018 and has overall accountability for the Wates Construction Group. Paul's expertise has been shaped across a construction career over 40 years. He is passionate about creating an inclusive workforce and sponsors diversity and inclusion across the Wates Group. He is also a Wates supporter for the Young Women's Trust and represents Wates on the Construction Leadership Council.

WATES EXECUTIVE COMMITTEE

1 Eoghan O'Lionaird
CHIEF EXECUTIVE

2 Stephen Beechey
GROUP PUBLIC SECTOR DIRECTOR

3 David Brocklebank
EXECUTIVE MD, DEVELOPMENTS GROUP

4 Helen Bunch
EXECUTIVE MD, RESIDENTIAL

5 Paul Chandler
EXECUTIVE MD, CONSTRUCTION GROUP

6 Cressida Curtis
GROUP SUSTAINABILITY DIRECTOR (JOINED JAN 2024)

7 Nick Jones
GROUP STRATEGY DIRECTOR

8 David Morgan
EXECUTIVE MD, PROPERTY SERVICES

9 Simon Osborne
GROUP SHEQS DIRECTOR (INTERIM)

10 Simon Potter
GROUP COMMERCIAL DIRECTOR

11 Paul Rowan
GROUP HUMAN RESOURCES DIRECTOR

12 Philip Wainwright
CHIEF FINANCIAL OFFICER

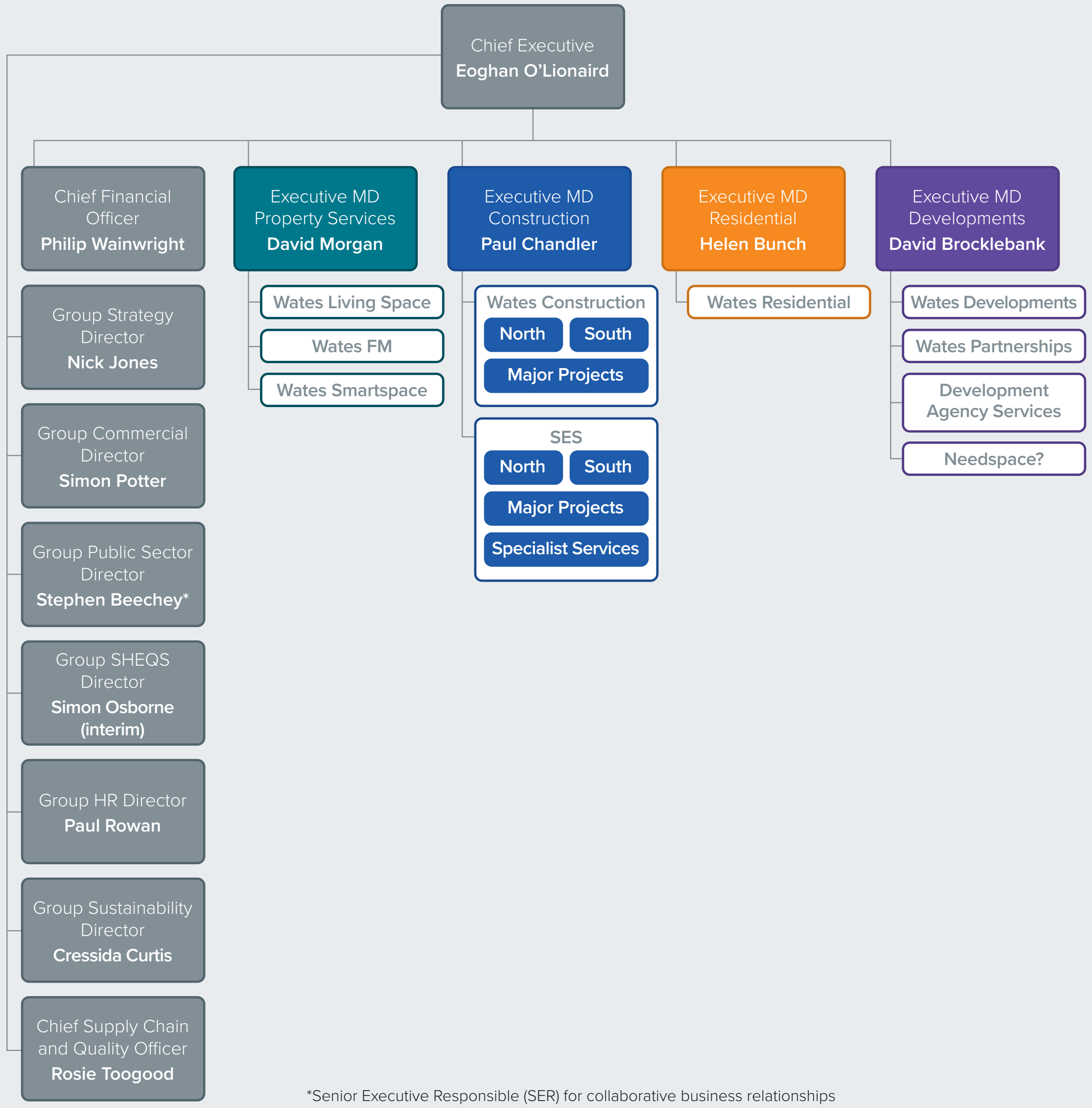
13 Rosie Toogood
CHIEF SUPPLY CHAIN AND QUALITY OFFICER (JOINED FEB 2024)

Executive Committee attendees:

14 Anna Mann
GROUP COMMUNICATIONS AND MARKETING DIRECTOR

15 Chelsea Walters
LEGAL DIRECTOR

WATES GROUP ORGANISATIONAL STRUCTURE 2024



*Senior Executive Responsible (SER) for collaborative business relationships

ANNUAL REPORTS AND ACCOUNTS

for the year ended 31 December 2023

CONTENTS

DIRECTORS AND ADVISORS

Directors

Timothy A. D. Wates (Chairman)

Jonathan M. Oatley (Deputy Chairman)

Eoghan P. O'Lionaird (Chief Executive)

Philip M. Wainwright (Chief Financial Officer)

Paul Chandler (Executive Managing Director, Wates Construction Group)

Rachel B. Addison

Elizabeth Reilly

Andrew E. P. Wates

Charles W. R. Wates

Sir James G. M. Wates CBE

Jonathan G. M. Wates

Company secretary

Philip M. Wainwright

Independent auditors

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Chartered Accountants and Statutory Auditors
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W1U 7EU

Bankers

HSBC UK Bank plc
1 Centenary Square
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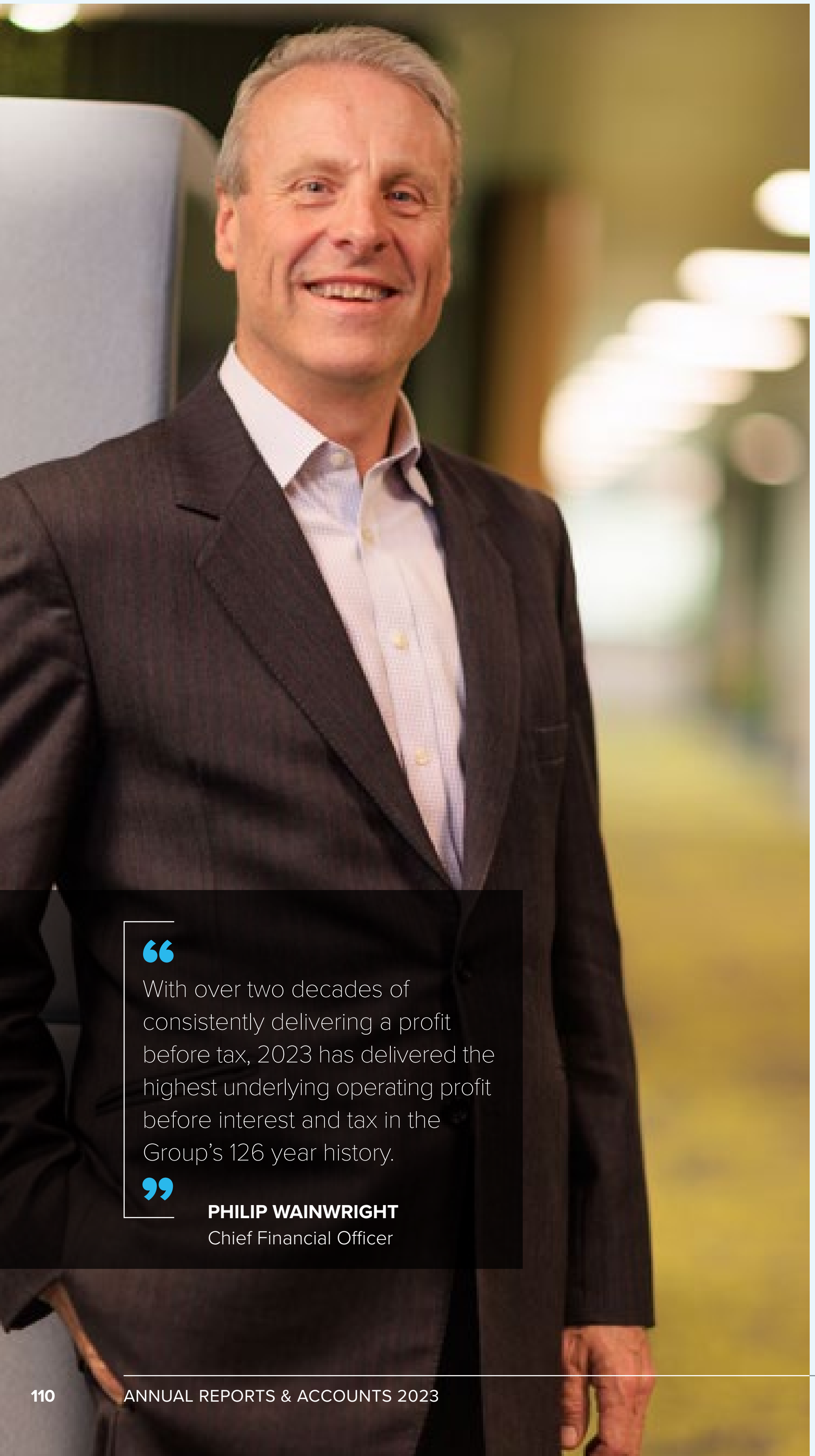
STRATEGIC REPORT
FINANCIAL REVIEW

Strong growth and record performance



> With over two decades of consistently delivering a profit before tax, 2023 has delivered the highest underlying operating profit before interest and tax in the Group's 126 year history.
>
> **PHILIP WAINWRIGHT**
> Chief Financial Officer

GROUP OVERVIEW

The Group delivered a robust financial performance in 2023, achieving strong turnover growth and the highest underlying operating profit before interest and tax in the Group's 126 year history, despite a very challenging economic environment.

Group turnover increased by 15.3% or £0.29bn, compared to last year, with all divisions showing growth.

Operating profit before interest and tax of £44.6m, up £8.4m on 2022, benefitted from the growth in turnover and another strong year for land sales in Developments. This more than offset the impact of cost inflation, a reduced share of joint venture profit (2023 £(0.4)m loss vs. a profit of £7.3m in 2022), a £5.6m write down of our Needspace property portfolio and investment in our operations to support growth.

Profit before tax was up £12.5m to £46.2m, benefiting from a £7.1m increase in net interest income, primarily due to higher interest rates.

The forward order book has increased marginally over the year, driven by contract growth (such as at the electric car battery gigafactory), wins (such as in Smartspace) and more projects entering the pipeline (such as for The London Boroughs of Havering and Harrow).

Year end net cash closed at £138.0m, £14.9m lower than last year, as the Group continued to invest capital to drive sustainable long-term growth, particularly joint venture funding. Closing 2023 cash was also impacted by a significant land sale in Developments, with consideration deferred beyond the reporting date.

We are proud that our services are delivered entirely within the UK and that in 2023 alone our activities helped contribute £387.1m of UK taxes to the UK exchequer (as shown on page 135) and a total of over a billion pounds of UK taxes in the last 4 years.

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

	2023	2022	MOVEMENT
Group turnover * Group turnover including the Group's share of joint ventures' and associates' turnover	**£2.18bn**	£1.89bn	+15.3%
Group statutory turnover Group statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£2.10bn**	£1.79bn	+17.6%
Operating profit * Operating profit before interest and tax	**£44.6m**	£36.2m	+£8.4m
Operating profit margin *	**2.0%**	1.9%	+0.1%
Group statutory operating profit Group statutory operating profit including share of tax of joint ventures and associates	**£34.6m**	£28.3m	+£6.3m
Group profit before tax * Profit before tax and before tax of joint ventures and associates	**£46.2m**	£33.7m	+£12.5m
Group statutory profit before tax Group statutory profit before tax including share of tax of joint ventures and associates	**£44.9m**	£31.5m	+£13.4m
Group profit for the financial year	**£32.1m**	£25.6m	+£6.5m
Forward order book	**£8.5bn**	£8.4bn	+£0.1bn
Investments in joint ventures and associates	**£129.5m**	£111.1m	+£18.4m
Net assets	**£170.3m**	£162.3m	+£8.0m
Year end cash	**£138.0m**	£206.9m	-£68.9m
Year end net cash Cash balance excluding cash held in joint ventures, net of bank overdrafts	**£138.0m**	£152.9m	-£14.9m

* The performance of the Group is assessed using a variety of performance measures, including alternative performance measures (APM) which are presented to provide users with additional financial information that is regularly reviewed by management. These APMs are not defined under FRS 102 and therefore may not be directly comparable with similarly identified measures used by other entities. They are not intended to be a substitute for, or superior to, FRS 102 measures. See note 27 for definitions and reconciliations of APMs.

TURNOVER AND TRADING PERFORMANCE BY DIVISION

Group turnover increased by 15.3% or £0.29bn, from £1.89bn last year to £2.18bn in 2023. This includes the Group's share of joint venture turnover of £81.6m, compared to £107.2m last year. On a statutory basis the increase was 17.6% or £0.31bn, from £1.79bn to £2.10bn. All divisions grew turnover in 2023. See below for information on turnover, other key performance indicators and trading performance by division.

DEVELOPMENTS

	2023	2022
Developments turnover Developments turnover including the Group's share of joint ventures' and associates' developments turnover	**£143.1m**	£123.2m
Developments statutory turnover Developments statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£66.9m**	£39.7m
Acres controlled on privately owned land	**3,482**	4,893
Plots controlled on privately owned land	**16,392**	15,812
Units for which planning permission was achieved	**2,120**	991
Units for which planning permission is pending	**464**	2,120
Land sales completed	**5**	3
Units completed in the year through joint ventures	**389**	414
Active sites	**12**	10
Units still to be completed on active sites through joint ventures	**1,556**	1,796

Throughout 2023, the Developments business had to contend with both an extremely tough housing market and a politically charged and challenging planning environment. Despite this, the business had another hugely successful year, delivering five significant land sales on consented sites, and 389 legal completions in its joint ventures. One of the land disposals, in Tenterden, was into a Wates joint venture, adding 141 homes to the pipeline. The external outlook for 2024 does not yet show any notable improvement but Developments starts the year with 1,516 dwellings on controlled sites with a planning consent and the long-term pipeline has also increased by 3.7% net of land/units sold with 16,392 potential plots now under control.

NEEDSPACE

Needspace provides flexible office space, studios and managed workspace to small and medium-sized entities in seven centres across London and the South East. During the year, a part of one of the investment properties was leased by a subsidiary of the Group for a lease term of 5 years. The fair value of that part of the property at the inception of the lease was estimated at £2,304,000 and this amount was transferred from investment properties to buildings.

	2023	2022
Needspace statutory turnover	**£3.8m**	£3.5m
Aggregate value of investment properties and buildings	**£40.0m**	£45.1m
Average square feet of occupied floor space	**88,179**	83,600
Average percentage of occupied floor space	**71%**	67%

In December 2023, an external valuation of the investment property portfolio and buildings calculated that the value had reduced by £5.6m, which including additions of £0.5m, takes the portfolio value to £40.0m in total. This reduction is in line with the downward valuation of commercial properties more generally. There has been increased occupancy and a further increase in occupation levels is anticipated in 2024.

CONSTRUCTION GROUP

The Construction Group comprises two operating businesses:
Wates Construction and SES Engineering Services.

	2023	2022
Construction Group turnover Construction Group turnover including the Construction Group's share of joint ventures' and associates' turnover	**£1.17bn**	£0.96bn
Construction Group statutory turnover Group statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£1.17bn**	£0.96bn
Forward order book	**£4.2bn**	£4.5bn

2023 saw the continuation of significant headwinds, as stubbornly high inflation in both labour and material costs put further pressure on contract margins, and interest rates reaching their highest point since 2008 challenged clients' viabilities and limited their access to funding. The industry suffered a significant level of insolvencies, creating further supply chain pressure and causing unforeseen delays.

Against this very challenging backdrop, the Construction Group grew strongly. Turnover of £1.17bn was a 21.9% increase on 2022 and saw the business break through £1bn for the first time in its history.

Given the significant challenge presented by the highest rates of interest in 15 years, work winning remained strong. The Construction Group ended the year with a forward order book of £4.2bn, marginally down on the record forward order book set by the business in 2022 (£4.5bn).

PROPERTY SERVICES

Wates Property Services comprises three specialist business units: Living Space (social housing maintenance); Wates Facilities Management (private facilities management services) and Wates Smartspace (fit out and refurbishment).

	2023	2022
Property Services turnover Property Services turnover including the Group's share of joint ventures' and associates' property services turnover	**£544.7m**	£498.9m
Property Services statutory turnover Property Services statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£544.7m**	£497.5m
Forward order book	**£2.1bn**	£1.9bn

Living Space performed very positively in 2023, with revenue increasing by 24.3%* on prior year, driven by strong work winning success and increased demand for services across all workstreams. The forward order book was £1.7bn at the end of 2023, with key new long-term contracts secured with Greenwich, A2 Dominion, Citizen, Places for People and Croydon Council. Opportunities for further growth into 2024 and beyond through our large bid pipeline continue to build positive momentum for the business. Actions to mitigate industry pressures around inflation, skills shortages and supply chain constraints have supported strong operating profit improvement during 2023. The outlook for the sector remains positive, with the requirement to decarbonise social housing presenting significant opportunities for sustainable growth.

* This % increase excludes JVs and associates.

Wates FM continued strong year on year growth, recording a 19.2% revenue increase for 2023. New contracts secured with Yorkshire Building Society and QinetiQ, along with key contract retentions helped the business end the year with a forward order book of £0.2bn. General market conditions remain favourable for growth, with the business well positioned to secure further market share in the medium term.

Smartspace revenue fell 21.5% on prior year as a result of delays to a small number of key large public sector contracts in the second half of the year. Prospects for 2024 and beyond are very positive for the business, with significant projects in progress with Government Property Agency, the Ministry of Justice and Lloyds, which support the record forward order book position of £0.2bn.

RESIDENTIAL

Residential works alongside our public sector partners to deliver housing-led developments on publicly owned brownfield sites.

	2023	2022
Residential turnover Residential Group turnover including the Group's share of joint ventures' and associates' residential turnover	**£322.7m**	£310.3m
Residential statutory turnover Residential statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£317.3m**	£288.0m
Units for which planning permission was achieved (including through joint ventures)	**3,075**	2,605
Units for which planning permission is pending (including through joint ventures)	**3,766**	3,787
Units completed in the year (including through joint ventures)	**276**	739
Open market sales in the year	**70**	119
Active sites at 31 December	**32**	29
Units still to be completed on active sites (including through joint ventures)	**2,705**	2,605
Forward order book	**£2.2bn**	£2.0bn

During 2023, the business worked on strategically important sites in Harrow, Havering, Cardiff, Brent and Barking. The Residential business also operates as a construction contractor for public sector customers across London, the South and Wales.

Residential continued to grow in 2023 despite challenging market conditions. The forward order book increased from £2.0bn to £2.2bn, predominantly through existing frameworks and relationships as well as an exciting new development with Brent Council. Completions in the year fell to 276 units (2022: 739) due to several large projects bridging the year end, which will complete throughout 2024. The investment in recent years in development opportunities with joint ventures and collaborations with public sector clients has led to a growing development pipeline. In 2023 the business completed 70 open market sales (2022: 119).

Good progress has been made with planning across our development partners and we have secured further work from the Be First framework delivering affordable social housing in Barking and Dagenham. At year end, Residential was active on 32 sites (2022: 29) which will deliver a further 2,705 units (2022: 2,605) over the next few years. Residential is working with its partners to get planning consent on a further 3,766 units (2022: 3,787), which will solidify the pipeline for years to come.

TOTAL GROUP OPERATING PROFIT BEFORE INTEREST AND TAX

Total Group operating profit before interest and tax increased by £8.4m, from £36.2m in 2022 to £44.6m in 2023, driven in part by the growth in turnover. Although 2023 saw continued inflationary impacts on material and labour costs, which put pressure on contract margins and the cost base generally, operating profit margin at 2.0% of Group turnover (2022: 1.9%) has been maintained.

Gross profit has benefitted from the increase in turnover and the fact that the net amount charged to cost of sales (after recognising insurance recoveries deemed virtually certain) in relation to building remediation costs was lower in 2023 at £6.1m, compared to £15.8m in 2022. This included an amount charged in relation to new Building Safety Act claims recognised in the year of £3.7m (see note 25 of the Notes to the Accounts on page 187, for further information on contingencies). Gross profit margin has remained stable year on year at 11.1% (2022: 11.2%).

Administrative expenses of £193.5m were charged in 2023, compared to £174.5m in 2022, an increase of £19.0m. This increase reflects inflation and continued investment to support the increase in activity levels, particularly in Property Services. Administrative expenses also include the benefit of research and development tax credits, as discussed below.

Wates is increasingly focused on innovation, investing in research and development to support modern methods of construction and projects focused on decarbonisation. This is reflected in both research and development expenditure and tax credits recognised in the consolidated profit and loss account that relate to amounts recoverable from HMRC on previously incurred expenditure (see note 4 of the Notes to the Accounts on page 169). Administrative expenses included research and development credits of £10.9m in 2023, an increase of £8.1m on the prior year (2022: £2.8m), driven by the increased spend and supported by a comprehensive review of our research and development activities to identify relevant costs.

Group operating profit was reduced by a charge of £5.6m in 2023, in addition to the charge taken last year of £4.4m, in relation to the net deficit on revaluation of investment properties and buildings within Needspace as at 31 December 2023 (see note 10 of the Notes to the Accounts for further information).

In total, Group operating profit (before share of post-tax (loss)/profit from joint ventures and associates) increased by £14.0m to £35.0m in 2023, from £21.0m last year, as a result of the higher level of gross profit (up £34.2m), offset by the increase in administration expenses (£19.0m higher) and revaluation charges (£1.2m higher).

Share of post-tax (loss)/profit from joint ventures and associates in 2023 was a loss of £0.4m, compared to a profit of £7.3m in 2022. This is after charging the Group's share of interest £8.8m (2022: £5.7m) and tax of £1.2m (2022: £2.1m). At an operating profit level, before interest and tax, the Group's share is £9.6m in 2023, compared to £15.1m last year. The Group's share of interest includes interest on funding provided to joint ventures (linked to the Bank of England base rate) by the Group of £7.0m in 2023, which is also reflected as interest receivable in the consolidated profit and loss account (see note 7 of the Notes to the Accounts – included within other interest).

Share of joint venture post tax profit/(loss) depends on stage of completion of the various joint ventures entered into by the Group for the development of residential property. Profits are only recognised when the assets being developed by the joint venture are sold.

Group statutory operating profit before interest and tax (after share of post-tax (loss)/profit from joint ventures and associates) increased by £6.3m, from £28.3m in 2022 to £34.6m in 2023, impacted by the higher level of joint venture and associate profit reported in the prior year of £7.3m compared to a small loss reported in the current year of £(0.4)m.

NET INTEREST RECEIVABLE

Group statutory profit before tax of £44.9m includes net interest receivable of £10.3m, an increase of £7.1m on the prior year (2022: £3.2m). Interest receivable has benefitted from increases in the Bank of England base rate, which has positively impacted interest receivable on joint venture funding, as well as cash on deposit. In addition, 2023 reflects income from the unwind of the discount on deferred consideration receivable for land sales within Developments.

TAX

The Group's tax liabilities arise and are met fully within the UK. The tax charge for the year (including joint ventures and associates) was £14.1m (2022: £8.0m), which gave an effective rate of 30.4% (2022: 23.9%). This compares to the UK mainstream corporation blended tax rate of 23.5% (2022: 19%). The current year tax charge exceeds the UK mainstream corporation tax rate principally due to disallowable costs such as the amortisation of goodwill.

TREASURY MANAGEMENT AND FINANCING

The key objective of the Group's treasury function is to manage the financial risks of the business and to ensure that sufficient liquidity is available for the Group. All treasury activity operates within a formal control framework. The Board has approved treasury policies and guidelines and periodically reviews treasury activities.

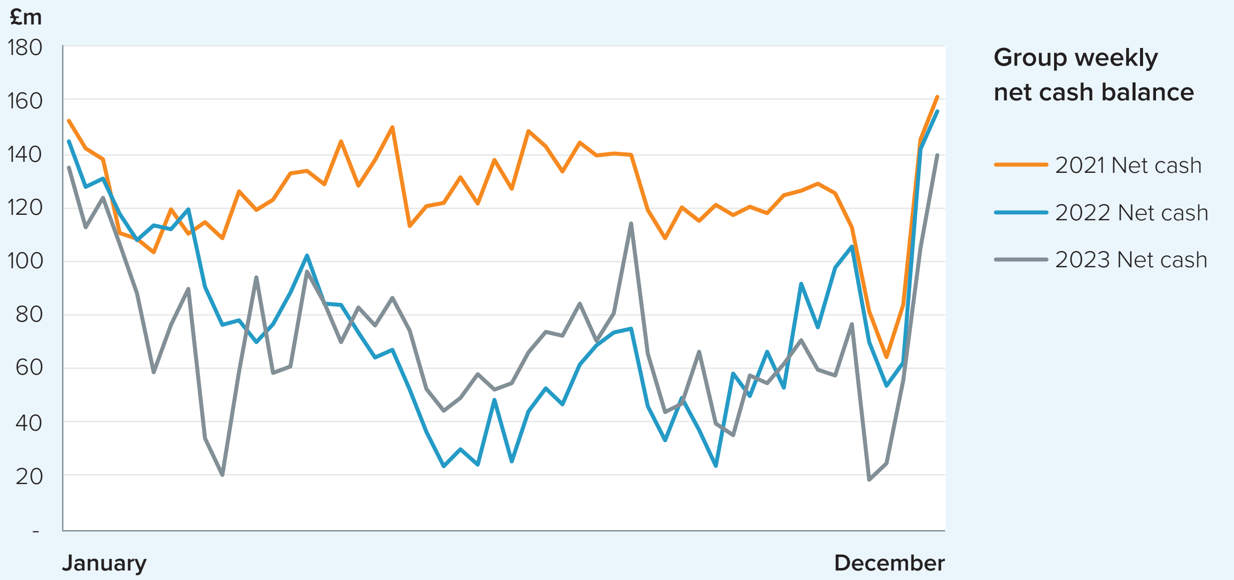
The Group has in place a sustainability linked Revolving Credit Facility of £90m, which expires in March 2026 (extended by one year during 2023). The facility was adjusted by £6m in February 2024, from £90m to £84m, following the revaluation of the Group's investment properties. The facility was undrawn at 31 December 2023 (2022: £nil). Wates Group Limited (the company) undertakes a trade in finance by offering money-lending services to the Group and controlling and managing bank facility arrangements.

CASH

The cash position of the Group is set out below.

	2023	2022
Average daily net cash balance Average daily cash balance net of debt excluding cash held in joint ventures	**£77.0m**	£80.2m
Year end cash	**£138.0m**	£206.9m
Year end bank overdrafts	**£nil**	£(54.0)m
Year end net cash Cash balance excluding cash held in joint ventures, net of bank overdrafts	**£138.0m**	£152.9m

The Group's weekly net cash balance (being the average weekly cash balance net of debt excluding cash held in joint ventures) is shown below:



The Group operated with a similar level of net cash compared to the previous year throughout most of 2023. This profile was in line with expectations, impacted by the timing of receipts from construction contracts, investment, quarterly VAT payments and dividends. The net cash figure climbed towards the end of the year, closing at £138.0m, £14.9m lower than at the end of 2022.

Group operating activities generated cash of £32.5m (2022: utilised £10.5m), notwithstanding the impact on working capital of a significant land sale in Developments with consideration deferred until after the reporting date. Cash flow from operating activities included deficit funding contributions to the pension fund of £13.5m (2022: £11.0m). Cash flows from investing and financing activities included amounts paid to joint ventures of £81.1m (2022: £21.7m) and dividends paid totalling £14.6m (2022: £17.5m). These were offset by amounts received from joint ventures of £61.0m (2022: £25.9m). See note 21 of the Notes to the Accounts for more information on cash generated by operations.

DEFINED BENEFIT PENSION PLAN

The defined benefit pension scheme, which is closed to future accrual, has been valued in accordance with FRS102.

	2023	2022
Pension scheme deficit (net of deferred tax)	**£2.8m**	£5.9m
Market value of the scheme's assets	**£198.5m**	£189.2m
Net present value of the scheme's liabilities	**£202.3m**	£197.0m
Remeasurement of net defined benefit liability	**£(9.6)m**	£(16.0)m
Pension credit recognised in accordance with FRS102 in the year	**£(0.1)m**	£(0.4)m
Deficit funding contributions	**£13.4m**	£10.9m

The decrease in the deficit was primarily due to deficit funding contributions from the Group being greater than the actuarial losses. Details of all movements are included in note 24 of the Notes to the Accounts.

SHAREHOLDERS' FUNDS

Shareholders' funds increased by £8.0m to £170.3m:

	£m
Shareholders' funds at 31 December 2022	162.3
Profit for the financial year	32.1
Pension movements (including deferred tax)	(7.2)
Dividends	(14.6)
Redemption of preference shares	(2.5)
Currency translation difference	0.2
Shareholders' funds at 31 December 2023	**170.3**

During the year 2,500,000 second preference shares of £1 each were redeemed for a consideration equal to par value.

DIVIDENDS

Dividends of £10.7m, £0.1m and £3.8m were declared in 2023 and paid on 14 April, 22 May and 16 November 2023, respectively. Dividends of £7.6m, £7.7m and £2.2m were declared in 2022 and paid on 18 March, 8 July and 21 November 2022, respectively.

WATES FAMILY ENTERPRISE TRUST

The Group continued to award funds to the Wates Family Enterprise Trust (WFET) to support its charitable giving. In 2023, this amounted to £1.5m (2022: £1.5m). The themes on which WFET focuses are: life opportunities for young people; housing; and sustainability.

P. M. WAINWRIGHT
Chief Financial Officer

STRATEGIC REPORT | PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING OUR RISKS

Effective risk and opportunity management is at the heart of the Group's principles of good corporate governance (see principle 4 within Corporate Governance Report on page 138). We conduct our business responsibly, safely and legally, in line with the goals and behaviours set out in our strategic priorities. Led by the Board and Executive Committee, we will continue to manage our risks and opportunities with a structure and rigour in line with these principles and values.

GOVERNANCE

The Board has overall responsibility for ensuring the Group's systems of risk management and internal control are operating effectively. The Board is supported by the Audit Committee in the discharge of these responsibilities.

Throughout the year, the Audit committee carries out a formal cycle of reviews of principal risks and opportunities, monitors emerging trends and works with the key risk owners on determining appropriate mitigations where required. This work is accomplished alongside an ongoing programme of embedding operational risk management.

Our approach to risk management is both top-down, from the Board and its Sub-Committees, and bottom-up from executive management and from project and business unit risks. This approach ensures an ongoing dialogue is in place across the Group, so we can continually scan the horizon to identify emerging risks.

KEY ACTIONS IN THE YEAR

As part of the Group's commitment to continuous improvement, the Board continues to carry out periodic reviews of principal risks. These risks fall into four categories, as follows:

- **strategic/opportunities**
- **external**
- **operational**
- **business-as-usual**

The evolution of the Group's strategic priorities (see the Strategy on page 7) is also reflected in the risk framework. Delivering value for our customers and shareholders is underpinned by the following strategic priorities:

- **safety**
- **inclusion and diversity**
- **innovation**
- **customers**
- **quality**
- **people**
- **sustainability**

Taken together, these priorities deliver profit.

- **profit**

The Group continues to operate the Executive-level Management Group which, throughout the year, carries out a formal cycle of reviews of principal risks and opportunities, monitors emerging trends and works with the key risk owners on determining appropriate mitigations where required. This work is accomplished alongside an ongoing programme of embedding operational risk management.

As the Group's strategic direction continues to evolve, we continue to re-evaluate and monitor key risks and opportunities in the light of new legislation, market trends and disruptors. To remain competitive, we also benchmark our business performance against that of our competitors. We are, furthermore, committed to strengthening our environmental, social and governance activity and aligning our people risk with culture and wellbeing.

We have increased our focus on the physical and transitional climate change risks within our operations, as we understand more about what to expect in future years and the mitigation activities that will be required. Climate change has also presented the Group with significant opportunities for growth in activity levels (see 'Sustainability Report' on pages 82 to 92). Mitigating these risks and taking advantage of these opportunities will require close management and recognition of third-party and supply chain management risks.

Reputational risk remains a key imperative for the Group and is discussed both explicitly as part of our principal risks activity and as a part of each principal risk. We are proactively managing and prioritising our response to the Building Safety Act and keeping abreast of any changes in building regulations to support our strong reputation for delivering high quality work and this is borne out in our review of governance, legal and regulatory compliance risks and opportunities.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks are defined as those which could affect our strategic ambitions, future performance, prospects or reputation. Our principal risks are set out in the tables below, which include a summary of key information including the type of risk (as categorised within our risk management framework), key mitigations and controls, alignment to our strategic priorities, and risk movements and trends. Within the Group, we discuss emerging risks and opportunities as part of our ongoing risk governance and reporting regime. We also conduct horizon-scanning exercises to maintain a medium and longer-term view of potential disruptors or emerging risks to our business.

Risk movement:

- **increasing**
- **no movement**
- **decreasing**
- **new risk**

As the most significant area of risk and uncertainty, the Group has continued to pay close attention to the external macro-economic and political factors impacting our strategy, operations and performance. The continuing war in Ukraine and ongoing political and economic volatility at both a UK and global level are the key factors which have contributed to ongoing challenges and uncertainty. We are actively monitoring these risks and have taken appropriate actions to mitigate their impact on our business such as earlier procurement and changing to a greater proportion of UK sourced materials.

Wage and cost inflation have remained priorities, with these impacting not only our employees but also the profitability of both our long-term construction contracts and house building operations. We have carefully analysed and responded to the impact of inflation, supply chain disruption and sub-contractors' liquidations, labour shortages, energy price volatility and interest rates, including the impact on the UK housing sector, project viabilities and generally suppressed economic growth.

Our ability to maintain profitability on long-term construction contracts and house building schemes is continuously monitored while cost inflation and productivity challenges continue to be a factor. Inflation poses serious challenges to interest rates and project viability as well as market growth, whilst the unprecedented increase in energy costs over the last twelve to eighteen months, exacerbated by the war in Ukraine, continued to impact the cost of materials.

The combination of inflation, high energy prices and market turmoil led the Bank of England to raise interest rates successively in 2022 and the first half of 2023. While interest rates have peaked in the second half of 2023, a slowdown in the housing sector has been evident throughout 2023. Housing sales volumes continue to be challenged by frequent mortgage product changes, reduced mortgage affordability and weaker confidence. In addition, the recent declines in real wages coupled with high interest rates have impacted general consumer spending. Taken together with the wider uncertainty around the UK economy and the impending national elections, this will likely affect pricing on new-build housing.

In contrast, we have seen an increase in demand for social housing retrofit work driven by EPC regulatory requirements and other safety and building upgrades following the Grenfell Tower fire as well as opportunities to leverage asset optimisation and renewables integration in a more joined up manner.

With government support for wider capital investment in social housing, education, justice and health expected to continue, we are in a strong position to offset any reduced activity in private housing with accelerated demand in the public sector. Furthermore, a development of a new public / private partnership model is increasingly seen as a vehicle for an acceleration of investment into social infrastructure.

Despite the headwinds, there remains considerable demand for services in the built environment. The political imperative to levelling up, building new homes and investing in infrastructure, as well as prioritising the energy efficiency of new and existing homes to support the UK's movement towards net zero, will provide a counterbalance to the economic impacts on the sector and present significant opportunities for the Group in the medium term.

The Group has a strong forward order book, which, together with its continued financial resilience, will support the business as we manage and respond to further changes in the geo-political and economic environment.

However, delays in the planning system and the overall political challenge to planning policy is set to continue and will have significant implications for the housing sector. We will continue to assess and manage the impact of the Building Safety Act and the Building Regulation changes, which we see both as a future opportunity and a risk, given the early stages of the implementation of this new legislation.

See further detail in our Section 172 statement on page 131.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	safety	quality
external	no movement	diversity and inclusion	people
operational	decreasing	innovation	sustainability
business-as-usual	new risk	customers	profit

In the period we have continued to undertake the following:

POLITICAL, GEO-POLITICAL AND MACRO-ECONOMIC FACTORS

The Group closely monitors the current political, geo-political and economic environment and any emerging future trends which could potentially impact our business plans, client engagement or operational delivery in order to allow for an effective and timely preparation of our response strategy.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to anticipate and appropriately respond to significant external events. Political, geo-political or macro-economic factors could all impact the Group's performance, reputation or long term viability, or result in lost opportunities for growth.	• All our delivery mentioned is within the United Kingdom. • Conduct regular reviews, analysis and reporting of external political (e.g. forthcoming UK General elections, war in Ukraine etc.) and economic (e.g. the Bank of England Base Rate) factors to Board and Executive Committee to support decision making and medium and long term strategy planning. • Deepen relationships with our customers, manufacturers, distributors and sub-contractors with a focus on market intelligence to inform decisions. • Form specialist working groups to devise scenario analysis and response plans. • Closely monitor government policy; encourage leadership participation in economic and regulatory forums. • Manage the ongoing risks and impacts related to retrospective elements of the Building Safety Act. • Monitor legislative changes in Building Regulations using relevant industry bodies and experts to ensure our design is fully compliant and the risk is appropriately managed risk within each contract. • Continue to monitor the impact of housing market volatility. • Make use of SME adviser panels to provide support and guidance. • Review and strengthen our bid procurement strategy, with a focus on contract values and contract selection. • Devise and monitor detailed procurement plans to manage the supply of materials through our supply chain and to make use of cross-project procurement opportunities. • Use external market data to engage clients on cost pressure issues. • See Environment on page 84 for detail of our strategies in response to the Government's net zero targets and the opportunities to lead and support our customers and supply chain in this area.

STRATEGY AND TRANSFORMATION

Having a clear and coherent strategy aligned to the Group's established purpose, goals and behaviours is critical to our future sustainability. Our purpose and strategic priorities are at the heart of our operations.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to define and deliver an effective Group strategy which is supported by both Group purpose and strong market fundamentals, adversely impacting the long-term growth, ambition and sustainability of our business.	• Appointed Group Strategy Director in a Senior Executive position. • Undertook a full strategy review in 2023 which will be communicated in early March 2024. This will be supported by detailed action plans with quarterly progress reviews and associated KPI monitoring. • There is an ongoing review of the Group purpose involving employees from across the Group, Senior Management, Board and Shareholders. This will be finalised and rolled out in 2024. • Maintain robust Board oversight, with the aim to provide clear direction and challenge to the Group strategic development and an implementation of its plans. • Ensure key stakeholders are appropriately consulted and engaged on the design and development of strategic initiatives which are materially important to them. • Ongoing market research as well as competitor and trend analysis in order to provide insights into strategic opportunities. • Continue ongoing reviews of short, medium and long-term market disruptors. • Focus future investments on those strategies that deliver significant shareholder and business value. • Maintain a diverse customer base and product range, allowing us to respond to strategic opportunities and new challenges with agility. • Ensure that Group initiatives are delivered efficiently and effectively and support our strategic direction. • Deliver 'divisionalised' strategies for individual business units in line with the opportunities for growth identified in different sectors. • Focus on environmental, social and governance issues as the bedrock of our strategic thinking, with climate change in particular at the forefront of our research, innovation and commitments.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	safety	quality
external	no movement	diversity and inclusion	people
operational	decreasing	innovation	sustainability
business-as-usual	new risk	customers	profit

PERFORMANCE AND COMPETITION

We continue to face competitive challenges in an increasingly complex and fast-moving economic landscape, with costs, margin and supply chain pressures impacting the sectors in which we operate. To maintain our strong forward order book we focus on our customers and seek to innovate wherever possible to serve them better. We remain highly selective in the work we bid for and take on. We therefore consider risks related to performance and competition currently to be well managed.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to manage our business and financial performance, to compete effectively in line with our strategy, or to maximise opportunities for growth. This could impact our reputation, profitability, market share and long-term sustainability as a business.	• The detailed 2023 strategy process included horizon scanning for each part of the Group. This involved reviewing current and potential markets for future areas of opportunity and potential risks and including the conclusions to these reviews as part of the strategy. • Focus Board oversight on performance, strategy and opportunity. • Ensure a risk-based approach is used for the strategically important bids, contracts and investments with clear mitigation measures for high value/ high risk contracts in particular. • Remain highly selective in our bid and contract engagement and continue to target areas where we have competitive advantage. • Regularly review markets, trading opportunities, competitor strategy and activity, and develop response plans to support our strategic ambition. • Undertake market scanning and competitor analysis to inform our focus and ensure our strategic priorities align with our customers' requirements. • Support innovation, particularly in relation to climate change and in the areas where long term market and customer trends can be leveraged. • Focus on opportunity areas, such as social housing, net zero developments, low carbon buildings and energy efficient retrofits. • Work to retain and attract high performing, forward thinking talent underpinned by a new Group People strategy. • Build on post completion project reviews to capture learnings for continuous improvements.

PEOPLE, CULTURE AND WELLBEING

A key strategic imperative is to attract, retain and develop the best and most diverse pool of talent. Having the necessary resource capability with the right knowledge, skill and behaviours to drive and deliver business growth is critical to our future success.

We care about employee wellbeing and are committed to creating an inclusive culture in which all employees are treated fairly and feel they belong. Embedding this culture is key to ensuring we deliver our strategic priorities.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to deliver on elements of our people strategy or elements of our strategy prove ineffective, thereby impacting talent acquisition and retention. This could harm our ability to grow and innovate within the business. **We fail to embed our values in our culture, which could derail the delivery of our people strategy, impacting our reputation, talent retention, and strategic ambitions.**	• Implement the People Strategy with action plans and measures of success approved by the Board. • Utilise external insights and expertise for market analysis and benchmarking. • Perform regular reviews of remuneration packages to ensure market competitiveness. • Evaluate the implementation of the new MyShare, profit-share scheme which aligns employee reward to individual business performance. • Embed oversight of succession planning, remuneration policy and standards with our Nomination Committee and Remuneration Committee. • Build capability through investment in learning and leadership development, while attracting talent to build resource, skills and talent pipelines. • Maintain our commitment to building an inclusive workplace with a market leading policy framework. • Promote use of our employee networks to support our Group inclusion and diversity agenda. • Maintain the Group's Investors in People Gold accreditation subject to a review in 2024. • Enlist in both the FTSE Women Leaders Review and the Parker Review which track the number of ethnic minority directors who sit on boards in 50 of the largest private companies in the UK. • Reinforce our commitment to health and wellbeing through our Employee Assistance, Mental Health First Aid, and Peppy Programmes. • Support Group Ethics and Compliance through our established Code of Conduct and regulatory compliance programmes, with Safecall and SpeakUp processes in place for colleagues and supply chain partners to raise concerns. • Reinforce the Code of Conduct. • See further detail in the People report on page 24.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	safety	quality
external	no movement	diversity and inclusion	people
operational	decreasing	innovation	sustainability
business-as-usual	new risk	customers	profit

HEALTH AND SAFETY

The health and safety of all stakeholders is and always will be the Group's number one priority. We are proud of our excellent health and safety record which is critical to our values and reputation.

The Group's activities have the potential to cause death or serious injury to stakeholders, could damage property and the environment, and furthermore harm our reputation as a result. We are also reliant on a large subcontracted workforce, which creates additional monitoring challenges. This is built into our Operating Framework, governance, and reporting protocols. We are committed to demonstrating the highest standards of health and safety management. See further detail in our Safety report on page 18.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
An incident results in death or serious injury, or damage to assets or property, leading to adverse financial or reputational consequences to the Group, including potential criminal liabilities.	• Maintain and look to improve our health and safety performance through a strong safety culture, supported by a robust framework of health and safety operating procedures. • Use critical metrics and stringent action plans to ensure strong governance and oversight is maintained at each level throughout the Group driving ownership and personal accountability. • Contingency plans in place for efficient and effective incident response including robust investigation; ensure these are reviewed and tested on a regular basis. • Continue to strengthen our extensive suite of assurance and compliance activities to help us evaluate our performance. • Conduct leadership and business briefings and workshops; provide updated guidance to support management understanding. • Improve analytical dashboard reporting and quality of data input. • Monitor extreme weather events caused by climate change such as strong winds, heavy rainfall, and heat stress as part of our health and safety risk assessments and link this to our Climate Change risk management and TCFD reporting (see page 93). • Strive for continuous improvement across all areas of health and safety. • Promote increased use of modern methods of construction (MMC).

PROJECTS AND SERVICE DELIVERY

Within the Group, we use our professional judgement in estimating, planning, designing and constructing our projects, often in complex environments. Each project could encounter difficulties that lead to cost and time overruns, litigation or disputes.

Our activities are guided by an Operating Framework that mandates rigorous policies and procedures throughout a project's life cycle. We seek to always deliver quality and are focused on customer service as a key strategic priority. In recent years, we have also focused significantly on innovation to improve our service delivery and we support our customers through our Customer Excellence programme.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to deliver our projects and services efficiently and effectively or fail to maximise customer engagement opportunities, which could impact our financial position, reputation and our potential for future growth.	• Continue to focus on innovation in our delivery through better use of offsite MMC, our Technical Excellence Centre, introduction of the Group-wide optimised processes and the availability of Wates Sustainable Technology Services (WSTS) and the Wates Innovation Network (WIN) Portal to support customer solutions. • Build on our significant project assurance programmes, including peer reviews and customer feedback, which help mitigate the risks to successful project delivery and keep us focused on learning and continuous improvement. • Use our well-defined Operating Framework, which includes comprehensive management oversight and risk management processes, to support successful project delivery. • Maintain strong third line assurance through our Internal Audit department. • Maintain stringent management oversight and project governance reporting, focusing on safety, productivity and quality through our Delivering the Promise programme. • In the light of enhanced risk exposure due to bigger size of projects undertaken, closely scrutinise financial judgements made on projects, supported by compliant revenue and profit recognition policies. • Provide strong customer engagement to manage contracts effectively and profitably. • Maintain robust supply chain management protocols, including for due diligence and onboarding. • Develop effective crisis and incident management processes, enabling efficient incident response. • Continue to evaluate the impact of climate-related extreme weather events, such as localised flooding of project sites or wider transport infrastructure issues and consider this as an underlying risk that could lead to programme delays. Contingency plans must remain robust to mitigate against any adverse impacts from such events. • See political and economic risk on page 120 for external issues impacting project delivery.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	safety	quality
external	no movement	diversity and inclusion	people
operational	decreasing	innovation	sustainability
business-as-usual	new risk	customers	profit

THIRD PARTY AND SUPPLY CHAIN MANAGEMENT

A robust supply chain is critical to the Group's ability to deliver quality projects and services. We work with preferred suppliers and operate stringent due diligence and onboarding processes which set clear standards of operation. These processes include appropriate training and relationship management. The impacts of the current political and economic environment on our supply chain are significant, especially with regard to availability and cost management. We maintain a sustainable procurement strategy and robustly monitor all aspects of our supply chain framework.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to monitor and manage our supply chain and third-party relationships effectively or fail to maximise the opportunities we create. This failure could impact our standards, our legal and regulatory compliance obligations, and the effective delivery of projects and services, resulting in reputational and financial damage.	• Robustly manage our core preferred supplier network with the agility to adapt to complex and evolving economic and political factors. • Review our sustainable procurement strategy, with a revision of detailed mapping to source components. • Continue to monitor contractual risk and supply at a Business Unit level. • Maintain due diligence clearance and onboarding checks to support Group standards. • Use our supply chain framework to set out legal and operational compliance requirements across the supply chain network. • Assess performance on an ongoing basis through KPI monitoring, supply chain procurement plans and insolvency monitoring as part of an oversight and governance framework. • Continue to carry out assurance checks on areas of legal and regulatory compliance, with a Working Group in place supported by our internal Group Legal team. • Support improvements to data analysis and reporting by updating our 'demand planning' and supply chain database. • In the light of increased supplier insolvencies, subject all third-party suppliers to due diligence processes, financial risk and fraud checks as well as ongoing performance monitoring and evaluation (e.g. Monthly Insolvency Tracker; the Wates Insolvency Network group etc.). • Significant supervision of sub-contractors on each of our projects. • Paying our supply chain in accordance with the agreed terms.

CLIMATE CHANGE

Climate change will dramatically change the world in which we live and the work we do. While we are committed to mitigating our own impact by reducing greenhouse gas emissions that contribute to climate change, we also need to ensure that our business is both resilient to the impacts of climate change in the future while also being in a position to seize the opportunities that it presents. With 25% of carbon emissions attributable to the built environment, the sector's engagement is central to the fight against climate change.

The Group has set a near-term science-based target and also committed to a net zero target by 2045, including active monitoring. As part of the race to net zero, we aim to halve our Scope 1, 2 and 3 emissions by 2030 against a 2019 baseline. We want to become a market leader by responding rapidly to changes in customer expectations and the wider and growing political, legal and regulatory environment.

As part of our efforts to achieve these targets, all business units within the Group are developing new net zero products and services appropriate to the markets in which they operate. We have also launched Wates Retrofit to signal our commitment to reduce the UK built environment sector's carbon footprint. Opportunities in this space include a growing demand for new low carbon and net zero buildings, as well as demand for improved energy efficiencies through the retrofit of existing assets.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to lead and deliver on our climate change commitments or meet our legal and regulatory obligations. This could adversely impact our growth as well as our ability to innovate, to take advantage of future opportunities, and to retain talent.	• See page 93 for our annual report including progress on our Task Force on Climate-related Financial Disclosures and our Streamlined Energy and Carbon Report on page 98. • Engage our supply chain in the decarbonisation agenda to support the Group's ability to deliver low carbon assets and services as well as further strategic engagement and upskilling. • Develop and monitor a core suite of metrics and targets in line with evolving climate science. • Provide governance and oversight on our targets and performance through the Group Sustainability Committee. • Link loan agreements to climate change targets. The Group already has a £90m Sustainability Linked Loan as part of our revolving credit facility: one of the three KPIs is linked to the Group's supply chain setting science-based targets. • Make use of our new environmental metrics reporting platform and maintain external SME assurance of the integrity of our reported data. • Continue to build our internal capabilities to support our customers with new product and service offerings and to develop and deliver innovation. • Identify physical and transition risks to be managed at an operational level through 'Climate Scenario Workshops'. • Progress with the internal Leading Environmental Sustainability programme for leaders and executives (now into its 4th Cohort). Furthermore, a tailored Executive version is being prepared.

PRINCIPAL RISKS:
- strategic/opportunities
- external
- operational
- business-as-usual

RISK MOVEMENT:
- increasing
- no movement
- decreasing
- new risk

PERFORMANCE PRIORITIES:
- safety
- diversity and inclusion
- innovation
- customers
- quality
- people
- sustainability
- profit

GOVERNANCE, LEGAL AND REGULATORY

The governance, legal and regulatory landscape in which we operate is evolving, with more regulation of businesses leading to the potential for greater penalties. The Group's commitment to delivering on our governance, legal and regulatory obligations is central to our culture and values, and remains at the forefront of our communications, compliance programmes and policies. The Building Safety Act 2022 also remains a key area of focus for the Group and for the industry more widely.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
An incident occurs or behaviours are observed that give rise to a serious governance, legal or regulatory compliance breach which impacts the Group reputationally or our ability to do business, and results in fines or criminal proceedings.	• Continuing to implement the Group's Ethics and Compliance programme, around the key principles of top-level commitment, risk assessment, policies, procedures and governance, due diligence, training and communication and monitoring and review. • Our Ethics and Compliance programme uses a risk-based approach and is underpinned by our Ethics and Compliance Framework, which records each of the relevant controls, policies and procedures in respect of each key principle. This Framework is reviewed on an annual basis and, along with any actions arising from our compliance risk assessments, is used to form the basis of an ongoing action plan to continuously drive forward the maturity and performance of the Group's Ethics and Compliance programme. As an example of our current action plan, an exercise is being carried out to further enhance the Group's programme of third party due diligence and supply chain mapping. • Continuing to monitor for any emerging areas of legal and regulatory compliance, using both our in-house specialist team and a panel of external advisers. • Monitoring compliance with the Group's Code of Conduct, which requires annual compliance certification from senior management. • Continuing to assess, monitor and proactively mitigate any risks arising from the Building Safety Act 2022 by means of our internal Building Safety Team and external advisers where appropriate.

FINANCIAL RISK (LIQUIDITY)

The Group manages liquidity such that it maintains sufficient liquid assets to meet financial liabilities as they fall due, deliver strategic growth plans, and fund future investment opportunities. Funding and liquidity are provided through bank loans, overdrafts and shareholders' funds. Funding arrangements are reviewed regularly and approved by the Group Board. The Group had net cash of £138m as at 31 December 2023, with access to a further £90m via an undrawn Revolving Credit Facility, which expires in March 2026 (extended by one year during 2023). The facility was adjusted by £6m in February 2024, from £90m to £84m, following the revaluation of the Group's investment properties.

The Group maintains an infrastructure of systems, policies, and reporting to ensure discipline and oversight on all financial matters including tax, treasury and financial reporting. We continuously monitor economic and market factors, such as cost and wage inflation, along with interest rate movements, and undertake stress testing of our liquidity position. We proactively monitor risk factors to understand our exposure and make informed decisions on a timely basis, which is key to managing our business on a sound financial footing and responding with agility to changes in trading conditions.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
We fail to maintain sufficient levels of liquidity to meet financial liabilities as they fall due, inhibiting our ability to deliver strategic growth plans and fund future investment opportunities, and thereby impacting our reputation, future prospects and long-term viability.	• Extended the Group's Revolving Credit Facility for an additional year to March 2026. • Maintain strong discipline and oversight of all financial matters with regular reviews of liquidity levels, sources of funding and access to committed credit facilities. • Keep in place a sound system of financial controls. • Maintain a strong balance sheet and established lender relationships. Current facilities include an undrawn £90m sustainability linked Revolving Credit Facility which expires in March 2026, adjusted by £6m in February 2024, from £90m to £84m, following the revaluation of the Group's investment properties. • Continue twice monthly short-term cash flow forecasting and trade debtor review with our Business Unit Finance teams. • Continue monthly Board oversight of cash position, liquidity and forecast against minimum requirements. • Continue Treasury Group meetings, chaired by the CFO. • Ensure continued stringent governance over funding and investment approvals. • Maintain Audit Committee and Board oversight and governance of key areas, including liquidity and funding strategy, Treasury Policy, Group tax obligations, going concern statement, financial resilience and key financial controls. • Monitor proposed changes in tax legislation and other relevant legislative requirements, and develop action plans as required. • Maintain balance and diversification in our defined benefit pension fund investment strategies, ensuring a reasonable balance between risk and return and keeping a sensibly hedged position in respect of inflation and gilt rate movements. There is currently an £8.4m deficit funding contribution per annum. • See further details in Treasury management on page 115.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	safety	quality
external	no movement	diversity and inclusion	people
operational	decreasing	innovation	sustainability
business-as-usual	new risk	customers	profit

SYSTEMS, DATA AND CYBER

The scale and sophistication of targeted cyber-attacks are growing, while the ongoing macro-economic challenges and impact of the war in Ukraine mean that cyber-threat levels continue to increase. More and more Zero Day incidents and Ransomware attacks are being reported by organisations globally. As a result, we consider the external risk of cyber-attack to have increased for our Group and supply chain too. These risks pose a threat to our operational resilience, data, information and systems, all of which are key priorities for us. We hold sensitive customer and colleague personal data, and so continue to manage and monitor our internal controls robustly through our structured regulatory compliance and assurance programmes.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2024
A cyber-attack or information security incident results in unauthorised systems access, loss or misuse of confidential or personal information and/or denial of service, which impacts our business and its operations both financially and reputationally. **We fail to adequately protect the data and information we hold and process, resulting in legislative or regulatory breach and loss of trust, impacting our reputation and ability to do business.**	• Keep in place and look to build on robust controls and a suite of policies to monitor the performance of the Group's systems and security. • Continually develop and update our IT infrastructure, software, and cyber threat and assessment capabilities. • Monitor, detect and report on real-time threats and controls through our experienced internal team and service partners. • 'Cyber Essentials Plus' certified. • Carry out annual external review of our cyber security posture and penetration testing. • Utilise Multi Factor Authentication (MFA), Conditional Access and Extended Detection and Response (XDR) technologies to reduce the likelihood and impact of a cyberattack (e.g. malware/ransomware infection). • Maintain focus on our data environment and continue to invest in its capability, development and security. • Continue to improve our data protection procedures as part of our regulatory compliance and assurance programmes. • Carry out internal and external assurance reviews of our security and compliance controls. • Continue to review our internal information security and data governance capabilities as part of our continuous improvement agenda. • Invest in training and communications on data, information security and GDPR risks. • Offer security briefings and governance reporting to the Group at Board level. • Carry out due diligence on suppliers' cyber security and undertake contract reviews where necessary. • Continue offering our third-party IT supplier assurance programme. • The Group IT BCP/DR plan addresses Cyber security risks. We tested the plan in 2023 and will continue to do so on a regular basis going forward.

STRATEGIC REPORT | SECTION 172 COMPANIES ACT 2006

This report sets out how the directors comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2023.

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

LONG-TERM STRATEGY AND VISION

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

The focus of the Board in 2023 has continued to be ensuring that the Group effectively manages the risks posed by high inflation and interest rates, while ensuring that the Group is positioned to take advantage of the many opportunities for future growth. The Board approves an updated strategic plan every year and monitors its implementation throughout the year using detailed reports on operating and financial performance. In approving the plan, the Board considers factors such as competitor behaviour, the performance of the residential and construction sectors, as well as evolving social, economic, political and market conditions.

During 2023 a detailed strategic review was undertaken by the Group. This was driven by each part of the Business taking a deep dive into their markets with a specific focus on opportunities likely to come from environmental sustainability and technological innovation. As well as sustainability and innovation, the strategy particularly focused on: allocating available capital to invest for growth; maximising the social value we add to the communities we work in; a drive to improve productivity and efficiency; and the ongoing need to invest in our people and future talent. The strategy was reviewed in detail by the Board in late 2023 and finalised in early 2024.

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

EMPLOYEES

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Group roadshows led by the Chief Executive • Fourth annual Inclusion Month in September 2023 focusing on allyship • Employee Networks led engagement activities like check in chat sessions • Employee Engagement and Wellbeing survey • Site and office visits by shareholders, directors and Executive Committee • Video content from the family and executive directors • Group-wide newsletters, blogs and webinars • Internal and external social media channels • Group Leadership Conference and quarterly calls from which messaging is cascaded to colleagues	• Implementation of our new profit share bonus scheme across the Group for 2023 performance year, paying out in excess of £20m to employees when the Group meets its targets • Inclusion of a comprehensive suite of non-financial targets within our bonus scheme to ensure alignment between employee reward and holistic business performance, including environmental sustainability, gender diversity and safety • Introduction of a car salary sacrifice (electric) scheme which resulted in a 3% employee take-up rate • Refresh of the #WatesTogether approach to build a fair place to work where everyone can thrive. It has three key pillars of actions: Fair Treatment, Fair Opportunities and Fair Hiring • Reverse Mentoring programme, which pairs white leaders with colleagues from under-represented ethnicities • Mentoring Circles programme where groups of up to 5 women are mentored by senior business leaders on career management, negotiation skills, team effectiveness and relationship building • Internal Mobility Pilot using the Surveying function to enable colleagues to explore career transitions • Our voluntary employee networks creating safe spaces for colleagues with minoritised identities • Enhanced support for Menopause • Partnering with Specialists like Women into Construction, STEM Returners, Change 100 to create pathways for untapped talent pools into the Group	• 'People' on pages 24 to 31

CUSTOMERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Regular customer engagement surveys by external companies • Meetings and events (either face-to-face or virtually) • Interaction through the Wates Innovation Network (WIN) portal • Contract negotiation, ongoing management, site visits etc. • Indirect engagement through the Group website, social media interaction, project reports and marketing material • Communication about changes to legislation • Invitation to participate at Group Leadership conferences	• Net Promoter Score (NPS) survey outcomes reviewed by the Board on a monthly basis to monitor progress in customer engagement • Feedback received from customers • Through Wates Sustainable Technology Services (WSTS) and the WIN portal, the Group is supporting its customers to achieve their sustainability targets • Regular, effective and collaborative communication with customers about the Group's efforts to mitigate the effects of inflation and product, materials and labour supply issues on their projects and contracts • Strong customer retention across all of the Group's businesses • Continued implementation of Customer Excellence training programme • Delivering safely, to a high quality, on time and in line with contractual requirements	• 'Harlington School' case study on page 54

SUPPLY CHAIN

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Dedicated team responsible for supply chain relationships • 'Meet the Buyer' events • Email bulletins to suppliers (including details of changes in regulations) • Health and safety training • Supply chain workshops • Regular meetings (either face-to-face or virtually) • Contract negotiation, ongoing management and site visits • Indirect engagement through the Group website, social media interaction and project reports • Annual Supplier Conference for key Group supply chain partners • Partner and active member of Supply Chain Sustainability School	• Providing effective support to supply chain partners in respect of changes in regulation • The Group's consistent and supportive approach with its supply chain over many years has helped it respond effectively to the challenges of the current market (such as high inflation and shortages in product, materials and labour) • The Group's commitment to the Prompt Payment Code has ensured that at least 95% of invoices are paid within 60 days, with Wates Construction Limited and Wates Property Services Limited both paying 98% of their invoices within 60 days • Assisting our supply chain partners to meet mutual short and long-term sustainability targets	• 'Principle 6 Stakeholders' on page 144

FINANCIAL INSTITUTIONS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• The CFO and treasury function meet regularly with banks, insurers and providers of finance • Presentation of annual budgets and strategic plans • Quarterly performance reporting	• Extension of the Group's Revolving Credit Facility for an additional year to March 2026 • Ongoing covenant compliance and positive average daily net cash of £77.0m (2022: £80.2m)	• 'Treasury management' on page 115

COMMUNITIES AND ENVIRONMENT

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Local community events (e.g. 'Meet the Buyer') • Focused expenditure with Social Enterprises (SEs) • Direct engagement with sustainable solution providers and promotion of their services on the WIN portal • Present at Supply Chain Sustainability School events for SMEs • PhD research projects with the University of Exeter and the University of Surrey • Participation in government consultations on sustainability matters • Direct engagement through membership of the Considerate Constructors Scheme (CCS) • Support of charitable programmes • Member of the Building Services Association • Member of UK Green Building Council (UKGBC) • Mentoring of Social Enterprises to facilitate business growth through the ASSETS programme • Upskilling to increase employment opportunities, including for people in custody • Providing training and supporting work experience including T-Level industry placements • Promoting employment opportunities for people facing barriers to work • Member of Institute of Corporate Responsibility and Sustainability (ICRS) • Championing the real Living Wage in our Residential, FM and Developments businesses • Monitoring our supply chain to mitigate the risk of modern slavery	• Through WSTS, the Group is supporting its customers to achieve their sustainability targets through innovation • Through WSTS' award-winning WIN portal, we are continuing to grow our portfolio of partners providing new solutions to cut carbon and make the built environment industry more sustainable • In 2023, the Group created £225m (subject to external assurance) of social value and engaged with 32,078 young people • In 2023, the Group spent £7.0m on SEs, taking the cumulative spend since 2007 to £53.8m. Since 2020, more than £519m (subject to external assurance) of social value has been created • The Group continues to provide funds to the Wates Family Enterprise Trust. £1.5m was contributed in 2023 (2022: £1.5m), taking the total amount given since 2008 to £18.5m • In 2023, 63% of the Group's priority suppliers were registered with the Supply Chain Sustainability School (SCSS), a 2% increase on 2022	• 'Sustainability Report' on pages 82 to 92 • 'Wates Family Enterprise Trust' on pages 102 to 103

SHAREHOLDERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• We interact with shareholders through away days, corporate events, the Chief Executive's twice-yearly presentation to the Family Council, regular interaction with the Wates family office and through the Group Board (five members of the fourth generation of the Wates family are members of the Group Board) • Annual General Meeting (AGM) • The preparation of the annual report helps shareholders understand the Group's performance during the year	• The directors maintain a regular dialogue with Board members and other shareholders • The Group has approved a long-term increase in investment across its core investing businesses, supporting its objective to become a more profitable and sustainable company	• 'Corporate Governance Report' on pages 138 to 147

STANDARDS OF BUSINESS CONDUCT

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

The Board was involved in ongoing discussions with the Pensions Trustees on the investment strategy and future deficit funding contributions.

The directors take very seriously their responsibility to ensure the Group is a good corporate citizen. Business creates wealth that delivers the investment which, if properly managed by politicians, leads to a fairer and more prosperous society. In 2023, the Group (including its share of joint ventures) contributed taxes, all within the UK, whether borne by the Group or collected on behalf of HMRC of £387.1m (2022: £312.7m). The Group is proud of the part it plays in the industry's contribution to society through its economic activity.

TAXES PAID IN THE YEAR (AS DEFINED BELOW)	DEFINITIONS	2023 £000s	2022 £000s
Taxes borne by the Wates Group			
Corporate income tax payments		**3,356**	928
Employment-related taxes	2	**35,415**	32,159
Other taxes	3	**5,657**	6,374
		44,428	39,461
Taxes collected for HM government (in addition to taxes borne above)			
Employment-related taxes	4	**86,199**	77,406
Net VAT	5	**256,482**	195,877
		342,681	273,283
Total tax contribution (taxes generated by the Group from Wates Group activity)		**387,109**	312,744

Definitions

1) All taxes are paid in the UK; none in other jurisdictions
2) Employer national insurance contributions, income tax paid on benefits in kind and apprenticeship and CITB levies
3) Business rates, insurance premium tax, stamp duty land tax, irrecoverable VAT, fuel duty and vehicle and other taxes
4) Income Tax and employee national insurance contributions deducted from salaries and wages
5) Net VAT collected and paid

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

STRATEGIC REPORT | NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This section of the Annual report constitutes the Group's non-financial and sustainability information statement, produced in relation to Sections 414CA and 414CB of the Companies Act 2006. The non-financial information is contained within sections of the Strategic report and is cross-referenced below to help stakeholders find relevant information.

REPORTING REQUIREMENT	STATEMENTS, REPORTS AND POLICIES	INFORMATION REQUIRED TO UNDERSTAND OUR BUSINESS	FURTHER DETAILS
Environmental matters	ISO 14001: Environmental Management certification Near-term science-based target Environmental Sustainability Plan Environmental Policy	Progress on the Task Force on Climate-related Financial Disclosures (TCFD) Streamlined Energy and Carbon Report (SECR)	Pages 93 to 97 Pages 98 to 101
The Group's employees	People Fair Pay Reports Strategy	People Strategy	Pages 24 to 31 Page 7
Social matters	Social Value Strategy Social Value Policy		Pages 89 to 91
Respect for human rights	Code of Conduct Slavery and human trafficking Statement Anti-slavery and human trafficking Policy Anti-slavery and human trafficking Standard (supply chain)		
Anti-corruption and anti-bribery matters	Code of Conduct Bribery Act Statement		As above
Description of the Group's Strategic priorities	n/a	Strategy	As above
Description of the principal risks	n/a	Principal risks and uncertainties	Pages 118 to 130

REPORTING REQUIREMENT	STATEMENTS, REPORTS AND POLICIES	INFORMATION REQUIRED TO UNDERSTAND OUR BUSINESS	FURTHER DETAILS
Non-financial key performance indicators	n/a	Zero Harm Social Value Environment Progress on TCFD SECR People	Pages 18 to 19 As above As above As above As above As above
Climate-related financial disclosures	n/a	TCFD section: Governance Strategy: identifying climate-related risks and opportunities Scenario analysis Climate-related impacts Description of risks and opportunities Risk management Metrics and targets	As above

Please refer to our website for Statements, reports and policies

Approved by the Board of Directors on 21 March 2024 and signed on its behalf by:

T. A. D. WATES
Chairman

P. M. WAINWRIGHT
Chief Financial Officer

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2023, under the Companies (Miscellaneous Reporting) Regulations 2019, the company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council). The following report summarises how the Wates Group has applied the principles over the past year.

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

PRINCIPLE 1 – PURPOSE AND LEADERSHIP

The Wates Group was founded in 1897 and is now in the fourth generation of family ownership, reflecting the shareholders' commitment to building and maintaining a sustainable enterprise, guided by the family ethos that business done well is a force for good in society.

Purpose and strategy

The Board devotes significant time to discussing strategy by routinely reviewing the strategies of individual business areas, as well as in bi-annual dedicated strategy meetings to confer about Group-level issues together with the Chief Executive and the Executive Committee.

In 2023, the Wates Group initiated a process of re-examining how it articulates its purpose. While a 'Guiding Framework' developed previously (see past Corporate Governance Reports) proved useful in managing the business, the Board felt there was a compelling rationale for a review, based on the need for:

- A set of words that are credible, inspiring, and actionable;
- A driver for decision making;
- A clearer signpost for stakeholders in terms of the strategic focus, clearly reflecting why it exists;
- A bolder statement to better reflect the company's aspirations for the future;
- Recognition of the company's 126-year expertise in the built environment and continued commitment to lead the sector forward.

The process of reviewing the purpose statement began with an externally led session at the Board Strategy meeting in July on what it means to be a truly purpose-led business. This was followed up by discussions with employees, customers, suppliers, and other stakeholders about their views on the business, with regular follow-up to validate the direction of the work. The Board and Executive Committee were engaged regularly throughout the process, from the initial idea generation through to finalisation of wording.

Through this process, the Board agreed a core statement of purpose at its March 2024 meeting:

Reimagining places for people to thrive.

This is underpinned by three promises:

- Thriving places – Working with customers, partners and communities to create places that are more sustainable, inclusive, and full of opportunity.
- Thriving planet – Protecting nature and taking action on climate change by collaborating and innovating with our partners.
- Thriving people – Creating opportunities and relationships so that everyone who works for and with us feels included, invested in and treated with care.

PRINCIPLE 1 – PURPOSE AND LEADERSHIP

In Q2 2024, there will be a programme of work to engage and embed the purpose in all aspects of the business.

The existing eight strategic priorities continue to guide management: safety, quality, sustainability, innovation, diversity and inclusion, people, customers, and profit. The Board ensures that the Group's strategy and purpose are aligned by addressing these priorities, for example by:

- **Safety** – receiving reports on safety incidents as well as ensuring compliance with the new regulatory regime for safety in construction.
- **Quality** – overseeing systems to ensure competence of the workforce and prevention of quality failures; delegating the maintenance of the Operating Frameworks, which include ISO certifications, to the Executive Committee.
- **Sustainability** – operating a dedicated Board committee on Sustainability that meets three times per year; incorporating the TCFD framework into our annual financial disclosures (since 2021); ensuring that business unit strategies include seizing opportunities to support the UK's progress towards net zero carbon (for example, through social housing retrofit).
- **Innovation** – fostering an entrepreneurial approach, with the Board championing modern methods of construction and publicly calling for leveraging technology to increase productivity across the built environment sector.
- **Diversity and Inclusion** – maintaining oversight of the Group's Diversity and Inclusion plan, including progress against the targets for gender, ethnicity, disability and sexual orientation.
- **People** – in November, the Board approved a new People Strategy designed to create a high performing, purpose-led business in which people can realise their potential.
- **Customers** – relationships and engagement with customers, the supply chain and other stakeholders are formally discussed at Board and Executive Committee level. This includes review of Net Promoter Score survey outcomes and other feedback of customers' experience of working with Wates, resulting in action plans to drive improvements.
- **Profit** – reviewing financial performance and setting appropriate targets to ensure long-term financial sustainability.

Culture

The Board seeks to ensure that the company purpose, as well as the Wates family business ethos, is embedded in the culture of the organisation. The five family Board directors (the Chairman and Governing Owners) play active roles in the business and seek to maintain a prominent profile within the business, regularly visiting offices and project sites, as well as attending ground-breaking or topping-out ceremonies and the annual '25-Year Club' luncheon, which includes staff and pensioners who have worked for Wates for more than 25 years. The Annual Chairman's Awards celebrate and reward individuals and teams that put the desired values into practice.

The Board approved a Code of Conduct in 2022 which serves as the Group's roadmap for demonstrating the behaviours that are expected of the workforce. The code was rolled out to staff and business partners during 2023, supported by guidance and an internal toolkit, and is available on the Group's website.

PRINCIPLE 2 – BOARD COMPOSITION

The Board comprises a Chairman, four family directors (Governing Owners), three members of the executive team, and three independent non-executive directors (NEDs). Details about the individuals holding those roles is found on pages 104 to 105.

Responsibilities

The responsibilities of the Chairman (who is also a shareholder and member of the Wates family) include leading and managing the Board, ensuring the effectiveness and quality of its governance, and ensuring that the family values are reflected across the operations of the Group. In 2023 there was a successful transition of Chairman from Sir James Wates CBE to Tim Wates, complemented by the appointment of Joe Oatley as Deputy Chairman.

The Chairman works with the Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision-making across the Group are maintained effectively. Eoghan O'Lionaird joined the company as Chief Executive in February 2023.

Balance and diversity

The NEDs provide an independent perspective and constructive challenge, drawing on a diverse set of business backgrounds that include expertise in finance and audit, risk management, and organisational design and talent management across a range of sectors.

There are now two female members, but no directors come from ethnic minority (BAME) backgrounds. The directors acknowledge the lack of diversity in the Board, particularly in the context of the inclusion and diversity targets in place for the whole organisation. The Board remains committed to developing a more diverse workforce, including at the most senior levels.

The size of the Board is comparable to that of similar sized companies and allows for representation of different Governing Owners on each of the four Board committees, with two of those committees (Audit and Remuneration) chaired by NEDs.

Effectiveness

Using a specialised software package, BoardClic, the Board carries out a pulse survey after each Board meeting to identify Board strengths and areas requiring development. The results are noted at the subsequent meeting, and the Board has agreed to conduct a detailed review of the results during the coming year.

PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES

In 2023 the Board had a programme of six principal meetings every year, plus four additional days for strategic planning. As part of every Board meeting, governance of the Group is addressed as a standing agenda item.

On a yearly basis, the Board reviews the List of Matters Reserved for the Board and Group Delegated Authorities.

Role of committees

The Board operates four standing committees: Audit, Remuneration, Nominations and Sustainability. Details of the remit and membership of each committee is included on pages 145 to 147.

The roles of the committees are reviewed periodically, and in 2023 the Board specifically discussed the role of the Sustainability Committee in light of the Group's environmental ambitions.

The Audit Committee regularly reviews the relationship with the external auditors and has a policy that the audit provider will be considered for re-tender at least every ten years. Current auditors BDO LLP were appointed in 2019.

The Board delegates responsibility for the day-to-day management of the business to the Group Executive Committee (see description on page 147).

Accountability and conflicts of interest

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 position of Company Secretary is held by the Chief Financial Officer, Philip Wainwright.

Each year, Board directors (as well as members of Executive Committee and any staff with 'director' in their title) are asked to complete a Code of Conduct Certification which requires individuals to confirm they are compliant with the Code and to declare any conflicts of interest that they might have in respect of the Group's business. The Certification also requires individuals to describe the mitigating controls they had put in place to address any conflicts of interest.

Integrity of information

A system is in place to ensure that the Board receives appropriate information to allow directors to monitor and challenge the company management. Board papers follow a standard format, with detailed information usually provided in appendices or made available in a separate virtual 'reading room'. Papers must be provided at least eight days before the meeting; they are reviewed by both the Chief Executive and the Chairman before being made available to the rest of the Board.

PRINCIPLE 4 – OPPORTUNITY AND RISK

The Board seeks out opportunity for long-term sustainable success while mitigating risk. The Group's key operational risks and mitigations are outlined in the Strategic Report on pages 118 to 130.

Structures and accountability

The Board has overall responsibility for ensuring the Group's systems of risk management and internal control are operating effectively. Supporting the Board are the following:

- The Chief Executive is accountable to the Board for the effective management of risks and identification of opportunities on a day-to-day basis.
- Individual members of the Executive Committee reporting to the Chief Executive are accountable for specific risks and opportunities within their remits. Three members of the Executive Committee also sit on the Group Board.
- The Group has in place an Executive-level Risk Committee, which is chaired by the Chief Financial Officer and includes all Executive Committee members plus regular attendance by the Group Legal Director and Group Head of Assurance.
- The Group also operates an Investment Committee within the Executive Committee which advises on existing and proposed investment of capital.
- Day-to-day risks and opportunities are also managed by the Business Unit Boards at a divisional level and then consolidated and reported through the Executive Committee to the Group Board.

Opportunity

Innovation is a key element of the Group's strategy, and the Board seeks to execute the shareholders' desire to foster a culture of entrepreneurship across the business.

The Board considered a range of opportunities during 2023, including potential acquisitions. This process resulted in potential acquisitions not being taken forward in 2023.

Major projects (as defined by their value and risk profile, as articulated in the delegated authorities for each business area) are first considered by the executive Investment Committee and the most significant by the Board, which must approve them before bids are finalised.

In addition, the Group's Executive Committee has a formal process for consideration of opportunities as well as risks, and in 2023 some of the opportunities that have been considered at that level include (amongst others):

- Continued high demand for housing stock in the UK
- Need for upgrades to existing housing stock to meet national carbon reduction targets
- AI and other technological advancements
- Building Safety Act requirements
- Planning system reform

Risk

Risks are considered alongside opportunities, taking into account the shareholders' desire to pass on to the next generation of owners a stronger, more sustainable enterprise.

The Executive Risk Committee, chaired by the Chief Financial Officer, considers risks as part of the routine management of the business. In 2023, specific risks included (amongst others):

- Requirements under the Building Safety Act and impact on project viability
- Insolvency of major sub-contractors or clients
- Constraints on recruiting and retaining labour
- Cyber-security

PRINCIPLE 5 – REMUNERATION

The Board aims to ensure that remuneration policies are fair and meritocratic. The structure and level of remuneration is set to enable the business to attract and retain the best employees and motivate high performance at all levels in the organisation. Recognising the importance of these objectives, the Board has established a Remuneration Committee, which sets and approves executive pay (including annual salary review, bonus payments and compensation for new appointments).

During 2023, the Board received updates from the Chair of the Remuneration Committee (an independent non-executive director) and considered the appropriateness of remuneration levels for specific areas of the business.

An employee profit-share scheme is now in place to ensure that employees are aligned with the shareholders' objectives of delivering a sustainable, more profitable business. Pay awards are linked to profit of the relevant business area as well as a suite of non-financial targets at Group level covering safety, gender diversity and environmental sustainability. The Remuneration Committee was heavily involved in the development of the scheme.

We continue to publish statistics on gender pay as required by law, as well as data on our ethnicity pay gap, in our 'Wates Together' annual report (covering our inclusion and diversity journey) on our website. Inclusion and diversity goals have a Board level champion: Paul Chandler, Executive Managing Director, Wates Construction Group.

PRINCIPLE 6 – STAKEHOLDERS

The Board is clear that effective communication with stakeholders is essential if the business is to fulfil our purpose and protect our brand, reputation, and relationships.

The Board appreciates that a broad range of stakeholders are critical to delivery of the business's objectives, including customers, employees, financial institutions, shareholders, suppliers, and the wider communities in which we work. Detail about relationships with all of these stakeholders can be found in the report on Section 172 responsibilities in the Strategic Report (pages 131 to 135).

Suppliers and partners

Many of the Group's business areas require extensive use of sub-contractors. We routinely hold Suppliers' Conferences to bring business partners together to discuss how best to collaborate in addressing industry challenges, and in 2023 the conference specifically addressed compliance with the Building Safety Act. Several members of the Board participated, including the Chairman and the Chief Executive.

We continue to publish data as part of our duty to report on payment practices and performance. This information is particularly relevant to our supply chain, and the comparison of our statistics against others in our sector is available to all stakeholders via a trade association (Build UK) website. We are also members of the Prompt Payment Code, which requires members to pay at least 95% of invoices within 60 days. The Group primarily reported its performance via two statutory entities, with Wates Construction Limited and Wates Property Services Limited both paying 98% of their invoices within 60 days.

PRINCIPLE 6 – STAKEHOLDERS

Workforce

There are numerous channels through which senior management, including Board members, regularly engage with the workforce and keep them up to date on important developments. These channels include the 'Edi' intranet platform as well as regular 'roadshows' held throughout the UK, at which the Chairman, Chief Executive, and other members of Executive Committee provide updates on company performance and give staff the opportunity to ask questions.

The Board places particular emphasis on the health and safety of the Group's employees, as reflected in safety being a key strategic priority. . The Board's commitment to creating a sustainable zero-harm working environment has resulted in a performance that is ahead of UK Build industry benchmarks.

The Board is committed to having a workforce that reflects society and has set targets to achieve by 2025:

40% Female (2023: 31%)

20% BAME (2023: 15%)

3% Disability (2023: 4%)

5% LGBTQ+ (2023: 4%)

Further information about progress in recruiting a more diverse workforce is in the 'Wates Together' report on our website.

Environment

The Board's Sustainability Committee oversees the policies and performance of the Group relating to its commitment to become a net zero carbon operator by 2045.
Our sustainability plan with strategic themes and targets is published on our website. Full details of the Group's environmental impact are in the Sustainability Report on pages 82 to 92.

Shareholders

The five shareholders sitting on the Board (Chairman and Governing Owners) actively ensure that the operations of the Group are aligned with the interests of the shareholders. **The Wates Family Council**, chaired by Andy Wates, serves as a conduit for consulting with shareholders and communicating their interests to the Board.

Other

Net Promoter Score (NPS) survey outcomes are reviewed by the Board on a monthly basis to monitor progress in customer engagement.

The Board was consulted prior to engagement with financial institutions on the Group's strategic direction, and the board approved the provision of an additional banking covenant.

CORPORATE GOVERNANCE REPORT
COMMITTEE INFORMATION

THE ROLE OF THE BOARD

The Board's primary responsibility is to promote the long-term success of the Group so that we fulfil our purpose of creating sustainable shareholder value and making a lasting contribution to society.
The Board seeks to achieve this by setting out an overarching strategy, monitoring performance against strategic objectives, and reviewing the Executive Committee's implementation of the strategy.

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

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

GROUP BOARD

Details of individual directors' attendance of Board meetings in 2023 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			
Tim Wates	6	6	100%
Executives			
Eoghan O'Lionaird – Chief Executive *(appointed 20 February 2023)*	5	5	100%
Philip Wainwright – Chief Financial Officer	6	6	100%
Paul Chandler – Executive Managing Director Wates Construction Group	6	6	100%
Non-Executives – Family			
Andy Wates	6	6	100%
Charlie Wates	6	6	100%
Sir James Wates	6	6	100%
Jonny Wates	6	6	100%
Non-Executives – Independent			
Rachel Addison *(appointed 3 July 2023)*	3	3	100%
Susan Harris *(resigned 4 May 2023)*	3	3	100%
Jeremy Newsum *(resigned 31 December 2023)*	6	5	83%
Joe Oatley – Deputy Chairman	6	5	83%
Liz Reilly *(appointed 1 October 2023)*	1	0*	0%

* Following her appointment in October 2023, Liz Reilly was unable to attend the Board meeting in December 2023 due to a pre-existing commitment.

AUDIT COMMITTEE

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

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

Rachel Addison, a chartered accountant, was appointed Chair of the Audit Committee on 3 July 2023 succeeding Susan Harris who stepped down from the Board on 4 May 2023. During the year the Committee comprised two other non-executive directors: Andy Wates, a director of the Wates family, who also acted as Interim Chair of the Committee between 4 May 2023 and 3 July 2023; and Joe Oatley, an independent non-executive director. The Committee was supported by a number of Board and senior management attendees.

The Board is satisfied that the recent and relevant financial experience and sector knowledge of both the Committee Chair and the Committee's members during 2023 followed the principles of good governance in relation to their collective skills, knowledge and experience. The Committee approves the internal audit plan of work annually and approves any changes to that plan as may be required throughout the reporting period. The Committee is satisfied that the Internal Audit team is appropriately resourced.

EXTERNAL AUDITORS

The Group appointed BDO LLP as external auditors on 1 November 2019. The Committee assesses the effectiveness of the external auditors' performance after the completion of the annual audit, including an assessment of their governance, independence and professionalism. In July 2023, the Committee evaluated the external auditors' performance in relation to the 2022 audit. Both management and the external auditors are committed to a positive working relationship that enhances the effective execution of the audit plan. The Audit Committee re-tenders the external audit service at least every ten years, in accordance with good practice.

As a private company, the Group is not subject to external restrictions in terms of the non-audit work that is provided by the external auditors, but for good governance we have chosen to follow a similar approach in relation to their remuneration and the extent of their non-audit services, which are kept to a de minimis level.

REMUNERATION COMMITTEE

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

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

Liz Reilly was appointed Chair of the Remuneration Committee on 1 October 2023, succeeding Joe Oatley who stepped down as Chair but remains a member of the Committee. During the year, members of the Committee included Tim Wates, a director from the Wates family, who stepped down from the Committee on 3 July 2023; Jeremy Newsum, independent non-executive director, who stepped down from the Board on 31 December 2023; Charlie Wates, a director from the Wates family, who was appointed to the Committee on 3 July 2023; and Rachel Addison, an independent non-executive director, who was appointed to the Committee on 20 November 2023, all of whom were supported by members of the Board.

NOMINATIONS COMMITTEE

The Board operates a Nominations Committee to ensure that it remains balanced and effective, that succession plans are in place and that its structure, composition and skillset remain aligned to the Group's strategic objectives. The Committee's primary objective is to identify and evaluate candidates for future appointments and, in doing so, it takes advice from independent external recruitment consultants. In 2023, the Committee was chaired by Tim Wates. During the year, members of the Committee included independent non-executive directors (Joe Oatley, Jeremy Newsum, who stepped down from the Board on 31 December 2023, and Susan Harris, who stepped down from the Board on 4 May 2023) and family directors (Sir James Wates and Andy Wates).

SUSTAINABILITY COMMITTEE

The Committee brings oversight and challenge to the Group's corporate responsibility programmes and explores the impact and opportunities that global trends might bring to the built environment sector. In 2023, the Committee was chaired by Jonny Wates, a non-executive director from the Wates family, and its members included Susan Harris, an independent non-executive director, who stepped down from the Board on 4 May 2023, Liz Reilly, an independent non-executive director, who was appointed to the Committee on 9 November 2023, Charlie Wates, a non-executive director from the Wates family, who was appointed to the Committee on 9 November 2023, the Chief Executive and Chief Financial Officer, with invitations extended to the Group Safety, Health, Environment, Quality and Sustainability Director, the Environmental Sustainability Director, the Group Public Sector Director and other key members of the management team.

EXECUTIVE COMMITTEE

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

The Executive Committee consists of individuals responsible for the strategic business units and key functions. A list is on page 106 and a biography for each Executive Committee member can be found on the Group's website www.wates.co.uk.

EXECUTIVE RISK COMMITTEE

The Executive Risk Committee is a management sub-committee of the Executive Committee. It has a reporting line to, and also supports, the Audit Committee. The purpose of the Committee is to assist the Executive Committee and Audit Committee in overseeing the effectiveness of the Group's risk management framework and legislative and regulatory compliance programmes.

In 2023, the Committee was chaired by the Chief Financial Officer and comprised of members of the Executive Committee, with invitations extended to the Group Legal Director and members of the Group Internal Audit team.

INVESTMENT COMMITTEE

The Investment Committee is a sub-committee of the Executive Committee. Its purpose is to consider and contribute to all investment decisions and to act as the advisory body for primary operational governance for proposals for new invested capital and projects of the Wates business.

In 2023, the Committee was chaired by the Chief Financial Officer and comprised of certain members of the Executive Committee.

DIRECTORS' REPORT

The directors present their Annual accounts and reports for the year ended 31 December 2023. This report is to be read in conjunction with the Strategic report on pages 110 to 137.

PRINCIPAL ACTIVITIES

The company undertakes a trade in finance by offering money-lending services to the Group and controlling and managing bank facility arrangements, acts as a holding company for its subsidiaries and associates and actively manages many of the Group's joint ventures. The Group's activities include development, building and property maintenance.

DIVIDENDS

The directors declared dividends in 2023 totalling £14,648,547 (2022: £17,519,365) of which £10,720,485 was paid on 14 April 2023, £72,945 was paid on 22 May 2023 and £3,855,117 was paid on 16 November 2023. No further dividends have been declared in the year ended 31 December 2023.

HEALTH AND SAFETY

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

EMPLOYEES

We recognise the importance of engaging employees to enable them to make their fullest contribution to the business. The Group views this as fundamental to achieving its strategy and long-term objectives. We use a variety of media to inform employees about development and prospects and seek out and listen to employees' views and opinions at all times.

The Group's roadshow, which is open to all employees, is the mechanism through which the Chief Executive informs and updates staff on our performance, plans and future outlook and provides employees with an opportunity to ask questions, or to seek clarification, on our purpose, goals and direction. There were a series of roadshows in Spring 2023, held at various locations across the UK.

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

We are committed to improving the skills of employees through training and development and by nurturing a culture in which employees feel valued for their contribution and motivated to achieve their full potential. Statistics relating to the average number of people employed by the Group during the year can be found in note 5 to the accounts.

EQUAL OPPORTUNITIES

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

The Group has for many years focused on creating and sustaining a fair and inclusive working environment where everyone can thrive. Encompassing the full employment life cycle, our policies and processes are designed to help us hire the best person for the job from a wider, more diverse talent pool and to ensure everyone is treated fairly and with respect. If someone finds themselves not treated fairly, they have access to channels to share their experience. Where an employee speaks up, they are listened to, and appropriate action is taken. The Group is committed to offering fair opportunities to all employees. This includes equitable access to development and progression opportunities to build a meaningful career of choice and equity in pay for all.

CORPORATE RESPONSIBILITY

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

RESEARCH AND DEVELOPMENT

We are 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 20 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 5 May 2022.

CONFLICTS OF INTEREST

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

DIRECTORS' AND OFFICERS' INDEMNITIES AND INSURANCE

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

DIRECTORS

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

Timothy A. D. Wates (Chairman)	
Jonathan M. Oatley (Deputy Chairman)	
Eoghan P. O'Lionaird (Chief Executive)	*(appointed 20 February 2023)*
Philip M. Wainwright (Chief Financial Officer)	
Paul Chandler (Executive Managing Director Wates Construction Group)	
Rachel B. Addison	*(appointed 3 July 2023)*
Susan E. Harris	*(resigned 4 May 2023)*
Jeremy H.M. Newsum	*(resigned 31 December 2023)*
Elizabeth Reilly	*(appointed 1 October 2023)*
Andrew E. P. Wates	
Charles W. R. Wates	
Sir James G. M. Wates, CBE	
Jonathan G. M. Wates	

DONATIONS

During the year the Group made charitable donations amounting to £1.5m (2022: £1.6m). No political donations have been made.

GOING CONCERN

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

ANNUAL GENERAL MEETING

The next Annual General Meeting of the company will be held on Monday 20 May 2024.

STREAMLINED ENERGY AND CARBON REPORT

The Streamlined Energy and Carbon Report is presented on page 98.

POST BALANCE SHEET EVENTS

There were no post balance sheet events requiring disclosure.

Approved by the Board of Directors on 21 March 2024 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 regulations.

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 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 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 the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WATES GROUP LIMITED

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Wates Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2023 which comprise the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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

CONCLUSIONS RELATED TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

CLIMATE CHANGE

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Sustainability Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the directors' going concern assessment and in management's judgements and estimates in relation to the carrying value of residential land and development assets and the valuation of investment properties.

We also assessed the consistency of managements disclosures included as 'Other Information' on pages 82 to 101 within the annual report and with our knowledge obtained from the audit.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Reports & Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

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

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be, but not limited to, the Companies Act 2006, distributable profits legislation and UK pension and tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, data protection legislation and employment law.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Involvement of tax specialists in the audit.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance, including the Audit Committee and internal audit, regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls that are otherwise operating effectively.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, and considered whether there was evidence of bias by the directors within the significant judgements and estimates by agreeing to supporting documentation;
- Involvement of internal forensic specialists in the fraud risk assessment procedures;
- Assessing significant estimates made by management for bias; and
- Testing operating effectiveness of controls around the procurement and tendering process.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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

DocuSigned by:

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PETER LATHAM
(Senior Statutory Auditor)

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

21 March 2024

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2023

	NOTE	2023 £000s	2022 £000s
Group turnover:			
Group and share of joint ventures and associates		**2,183,477**	1,894,071
Less share of turnover of joint ventures and associates		**(81,603)**	(107,174)
Group statutory turnover	2	**2,101,874**	1,786,897
Cost of sales		**(1,867,818)**	(1,587,057)
Gross profit		**234,056**	199,840
Administrative expenses		**(193,494)**	(174,498)
Net deficit on revaluation of investment properties		**(5,483)**	(4,399)
Net deficit on revaluation of buildings		**(112)**	-
Other operating income	3	**-**	94
Group operating profit	4	**34,967**	21,037
Share of post-tax (loss)/profit from joint ventures and associates		**(383)**	7,278
Group statutory operating profit: Group and share of joint ventures and associates		**34,584**	28,315
Analysed between:			
Total operating profit before interest and tax		**44,576**	36,184
Net interest payable – joint ventures and associates		**(8,758)**	(5,739)
Tax – joint ventures and associates		**(1,234)**	(2,130)
Interest receivable	7	**11,645**	5,545
Interest payable and similar charges	7	**(1,295)**	(2,326)
Group statutory profit before tax		**44,934**	31,534
Analysed between:			
Group profit before tax and before tax of joint ventures and associates		**46,168**	33,664
Tax – joint ventures and associates		**(1,234)**	(2,130)
Tax on profit	8	**(12,816)**	(5,916)
Group profit for the financial year		**32,118**	25,618

The above results have been derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTE	2023 £000s	2022 £000s
Group profit for the financial year		**32,118**	25,618
Currency translation difference on foreign currency net investment		**244**	(532)
Remeasurement of net defined benefit liability	24	**(9,563)**	(16,036)
		(9,319)	(16,568)
Tax relating to remeasurement of net defined benefit liability	24	**2,391**	4,009
Other comprehensive expense for the year		**(6,928)**	(12,559)
Total comprehensive income for the year		**25,190**	13,059

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

At 31 December 2023

	NOTE	2023 £000s	2022 £000s
Fixed assets			
Intangible assets – goodwill	9	**34,628**	38,105
Tangible assets	10	**60,883**	65,140
Investments in joint ventures and associates	11	**129,480**	111,102
Other investments	11	**266**	266
		225,257	214,613
Current assets			
Stocks	12	**41,654**	54,136
Debtors			
- due within one year	13	**400,984**	392,594
- due after one year	13	**90,711**	62,920
		491,695	455,514
Cash at bank and in hand	14	**137,996**	206,917
		671,345	716,567
Creditors: amounts falling due within one year	15	**(628,313)**	(668,037)
Net current assets		**43,032**	48,530
Total assets less current liabilities		**268,289**	263,143
Creditors: amounts falling due after more than one year	16	**(18,685)**	(20,603)
Provisions for liabilities	17	**(79,270)**	(80,247)
Net assets		**170,334**	162,293
Capital and reserves			
Called up share capital	20	**12,277**	14,777
Share premium account	20	**956**	956
Capital redemption reserve	20	**19,947**	17,447
Profit and loss account	20	**137,154**	129,113
Shareholders' funds		**170,334**	162,293

The notes on pages 162 to 189 form part of these accounts.

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 21 March 2024 and signed on its behalf by:

Tim Wates

T. A. D. WATES
Chairman

P. M. WAINWRIGHT
Chief Financial Officer

COMPANY BALANCE SHEET

At 31 December 2023

	NOTE	2023 £000s	2022 £000s
Fixed assets			
Investments	11	**100,609**	103,407
Current assets			
Stocks	12	**2,595**	-
Debtors			
- due within one year	13	**140,143**	117,520
- due after one year	13	**2,040**	2,144
		142,183	119,664
Cash at bank and in hand		**28,922**	48,079
		173,700	167,743
Creditors: amounts falling due within one year	15	**(182,729)**	(167,580)
Net current (liabilities)/assets		**(9,029)**	163
Total assets less current liabilities		**91,580**	103,570
Net assets		**91,580**	103,570
Capital and reserves			
Called up share capital	20	**12,277**	14,777
Share premium account	20	**956**	956
Capital redemption reserve	20	**19,947**	17,447
Profit and loss account	20	**58,400**	70,390
Shareholders' funds		**91,580**	103,570

The notes on pages 162 to 189 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £5,159,000 (2022: £9,215,000). This includes dividends received from subsidiaries and joint ventures of £10,000,000 (2022: £11,886,000).

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 21 March 2024 and signed on its behalf by:

Tim Wates

T. A. D. WATES
Chairman

P. M. WAINWRIGHT
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	NOTE	CALLED UP SHARE CAPITAL £000s	SHARE PREMIUM ACCOUNT £000s	CAPITAL REDEMPTION RESERVE £000s	PROFIT AND LOSS ACCOUNT £000s	TOTAL EQUITY £000s
At 31 December 2021		**14,777**	**956**	**17,447**	**133,573**	**166,753**
Profit for the financial year		-	-	-	25,618	25,618
Currency translation difference on foreign currency net investment		-	-	-	(532)	(532)
Remeasurement of net defined benefit liability		-	-	-	(16,036)	(16,036)
Tax relating to remeasurement of net defined benefit liability		-	-	-	4,009	4,009
Total comprehensive income		-	-	-	13,059	13,059
Dividends declared on equity shares	20	-	-	-	(17,519)	(17,519)
At 31 December 2022		**14,777**	**956**	**17,447**	**129,113**	**162,293**
Profit for the financial year		**-**	**-**	**-**	**32,118**	**32,118**
Currency translation difference on foreign currency net investment		**-**	**-**	**-**	**244**	**244**
Remeasurement of net defined benefit liability		**-**	**-**	**-**	**(9,563)**	**(9,563)**
Tax relating to remeasurement of net defined benefit liability		**-**	**-**	**-**	**2,391**	**2,391**
Total comprehensive income		**-**	**-**	**-**	**25,190**	**25,190**
Redemption of preference shares	20	(2,500)	-	2,500	(2,500)	(2,500)
Dividends declared on equity shares	20	-	-	-	(14,649)	(14,649)
At 31 December 2023		**12,277**	**956**	**19,947**	**137,154**	**170,334**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	CALLED UP SHARE CAPITAL £000s	SHARE PREMIUM ACCOUNT £000s	CAPITAL REDEMPTION RESERVE £000s	PROFIT AND LOSS ACCOUNT £000s	TOTAL EQUITY £000s
At 31 December 2021	**14,777**	**956**	**17,447**	**78,694**	**111,874**
Total comprehensive income	-	-	-	9,215	9,215
Dividends declared on equity shares	-	-	-	(17,519)	(17,519)
At 31 December 2022	**14,777**	**956**	**17,447**	**70,390**	**103,570**
Total comprehensive income	**-**	**-**	**-**	**5,159**	**5,159**
Redemption of preference shares	(2,500)	-	2,500	(2,500)	(2,500)
Dividends declared on equity shares	-	-	-	(14,649)	(14,649)
At 31 December 2023	**12,277**	**956**	**19,947**	**58,400**	**91,580**

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	NOTE	**2023 £000s**	2022 £000s
Net cash inflow/(outflow) from operating activities	21	**32,474**	(10,489)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**9**	28
Proceeds from sale of unquoted investments		**-**	256
Proceeds from sale of properties with equity loans		**-**	37
Purchase of tangible fixed assets	10	**(10,323)**	(7,375)
Loans provided to joint ventures		**(81,107)**	(21,700)
Loans repayments from joint ventures		**61,012**	25,913
Dividends received from joint ventures	11	**196**	14
Net cash outflow from investing activities		**(30,213)**	(2,827)
Cash flows from financing activities			
Redemption of preference shares	20	**(2,500)**	-
Equity dividends paid	20	**(14,649)**	(17,519)
Bank loans borrowed		**20,000**	60,000
Bank loans repaid		**(20,000)**	(105,000)
Net cash outflow from financing activities		**(17,149)**	(62,519)
Net decrease in cash and cash equivalents		**(14,888)**	(75,835)
Cash and cash equivalents at the beginning of the year		**152,884**	228,719
Cash and cash equivalents at the end of the year	14	**137,996**	152,884

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 109. 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 buildings, in accordance with the Companies Act 2006 and 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 and intra-group transactions.

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

ii) BASIS OF CONSOLIDATION

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

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

iii) GOING CONCERN

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

As at 31 December 2023, the Group had net cash of £138m, access to £90m of undrawn bank facilities (through the Group's £90m Revolving Credit Facility (RCF) which expires in March 2026 (extended by one year during 2023) and a strong forward order book which underpins the forecast for 2024. The RCF was adjusted by £6m in February 2024, from £90m to £84m, following the revaluation of the Group's investment properties. The Directors regularly review the working capital requirements and financial resilience of the Group as part of reviewing scenarios that test a range of sensitivities to future performance.

The Directors have reviewed the forecast performance of the Group based on their current expectations about the future. This expectation draws on management's understanding of each sector that the Group operates in and anticipates a continuation of the current level of activity across the Group. Turnover levels are forecast to continue to increase throughout 2024. Within these forecasts, a significant proportion of the Group's revenue is already secured.

The Group has prepared a cash flow forecast for 12 months from the date of approval of these financial statements and the Group considers it has sufficient cash reserves to continue trading, while meeting the financial covenants set within its RCF.

In addition, the Group has considered a number of potential downside sensitivities of varying impact and duration. Some reasonable possible downside sensitivities include: a significant contract loss, a significant reduction in contracting turnover, an increase in costs without any client recovery, and reductions in prices for both housing and land sales. These sensitivities do not take account of any potential mitigations available to alleviate the impact on cash flow. In assessing going concern the Group has applied a probability weighting to each sensitivity to derive a severe but plausible downside scenario to test the resilience of the Group's cash flow forecast. While the cash flow impact of this scenario is materially different to the current forecast, the Group's forecast and severe but plausible downside scenarios, indicate that it would be able to continue trading for at least 12 months from the date of approval of the financial statements.

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

iv) TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary course of business. The fair value of consideration takes into account trade discounts, settlement discounts, volume rebates and other fees receivable.

When cash flows are deferred and represent a financing arrangement the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and a nominal amount received is recognised as interest income.

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.

Construction contracts

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 forecast total costs.

Rendering of services

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

Sale of land or services to promote land

Turnover is recognised on the sale of land or services to promote land on which unconditional exchange of contracts has taken place within the year.

Sale of residential and development properties

Turnover is recognised on the sale of residential properties and development properties that are legally completed within the year.

Rental income

Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term.

v) PRE-CONTRACT COSTS

Pre contract costs include direct internal and external costs associated with tendering and design activities. Costs on construction contracts are written off to the profit and loss account up until the point it is probable that the Group will be awarded the contract, at which point they are capitalised. Capitalised costs are assessed for impairment at each reporting date. For certain large multi-year frameworks, pre-contract costs are capitalised when it is sufficiently probable that the contract will be obtained.

vi) RESEARCH AND DEVELOPMENT

Research and development costs are written off as incurred.

vii) INTEREST RECEIVABLE AND PAYABLE

Interest receivable comprises interest on cash balances held in bank accounts and invested in liquidity funds, on loans to joint ventures, on loans to shareholders, from the unwinding of the discount from nominal to present day value of trade receivables on extended terms and interest on retirement benefit obligations. Interest payable comprises interest payable on bank loans and interest on retirement benefit obligations. Interest receivable and payable are recognised in the profit and loss account as they accrue.

viii) 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 economic 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.

ix) TANGIBLE FIXED ASSETS AND DEPRECIATION

Investment properties and buildings 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 and buildings.

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

Leasehold improvements	shorter of estimated useful economic life or period of lease
Plant and equipment	1 to 10 years
Business systems software	2 to 10 years

Business systems software is capitalised as a tangible fixed asset as the software is considered to be an integral part of management's intended use for the related hardware.

x) 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.

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.

Investments

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

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.

xi) JOINT VENTURES AND ASSOCIATES

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

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

Where the Group trades with a joint venture or associate, the proportion of turnover and costs in respect of the proportion of the joint venture or associate owned by the Group is deferred on consolidation. Such turnover and costs are recognised when the assets purchased by the joint venture are sold by it. The deferred balance is deducted from the value of the investment in the joint venture or associate.

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

xii) 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.

Stocks include freehold land and option and promotion agreements. Freehold land is recorded at cost. Options are initially recorded at cost, which includes consideration and any premiums paid for control as well as all relevant third-party expenditure pursuing planning. Work in progress on promotion agreements comprises direct fees and all relevant third party expenditure external labour costs incurred in investigating, designing, master planning, obtaining planning permission and ultimately securing sales agreements for land on behalf of landowners. The carrying value of all stock and work in progress is also subject to an annual impairment review to ensure the carrying cost remains at or below net realisable value, which is estimated future selling price less costs to sell. The satisfaction of promotion agreements is largely dependent upon the grant of planning consent; therefore, management assess the likelihood of attaining these consents when assessing their carrying values.

xiii) IMPAIRMENT OF ASSETS

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

Non financial assets

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

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

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

Financial assets

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

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

xiv) 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 are considered on a contract by contract basis and 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. Contingencies are held on contracts to address unmitigated risks and as not all risks are mitigated until contracts have been successfully delivered, a contingency is not released until the contracts are nearing completion. Losses incurred to the accounting date, together with any further losses that are foreseen in bringing contracts to completion, are recognised immediately and in full.

As certain agreements can run over a considerable number of years and cover a number of individual separable projects, these agreements are 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.

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.

xv) RESIDENTIAL DEVELOPMENTS

For residential development, profits are recognised on a site-by-site basis by reference to the expected final result for each site. The site margin is calculated by comparing forecast final sales to forecast total costs. Profit is recognised for each development site by applying the margin to actual property sales to date.

xvi) TAX

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

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

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

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

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

xvii) LEASES

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

xviii) RETIREMENT BENEFITS

The Group operates a defined benefit pension scheme providing benefits based on pensionable pay, which is closed to future accrual and new entrants with only 3 active members continuing to be calculated on a CARE (Career Average Revalued Earnings) basis.

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

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

In the ordinary course of business, the Group sometimes transfers employees (TUPE) and takes on obligations relating to local government pension schemes. Sufficient information is not available for the Group to use defined benefit accounting for these schemes so the Group accounts for them as defined contribution plans.

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.

xix) PROVISIONS AND RECOVERIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated. Provisions are presented at the present value of the best estimate of the consideration required to settle the obligation present at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When the Group expects some or all of a provision in respect of a completed contract to be reimbursed, for example, under an insurance contract or a contractual right to recourse from supply chain partners, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. A completed contract is deemed to be one where practical completion has taken place, the defect liability period has expired, all notified defects are signed off and any outstanding retentions have been received.

The expense relating to a provision is presented net of any reimbursement where the reimbursement has met the virtually certain recognition criteria.

xx) FOREIGN CURRENCY

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

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

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

xxi) DIVIDENDS

Interim dividends to the company's shareholders are recognised when paid and final dividends when approved for payment.

xxii) SIGNIFICANT AREAS OF JUDGEMENT AND UNCERTAINTY

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect items reported. Such estimates and assumptions are based on management's best knowledge of current facts, circumstances and future events. Actual results may differ, possibly significantly, from those estimates.

Critical judgements

The Group considers that there are no critical judgments that will have a significant effect on amounts recognised in the financial statements.

Estimates

The estimates and associated assumptions used in the preparation of the financial statements 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 estimation arise from the accounting for contracts, assessments of the carrying value of residential land and development assets, the valuation of investment property, the recognition of provisions, contingencies and reimbursement assets and the assumptions used in the accounting for the defined benefit pension scheme.

a) Accounting for contracts

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

Management bases its estimation of costs and income and its assessment of the expected outcome of each contractual obligation on the latest available information. This includes detailed contract valuations, forecasts of the costs to complete, variations and claims with customers and progress against agreed programme of works. The reliable estimates of the contract position, reflecting both the forecasted costs and the forecasted revenue on each contract, and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal reporting and review procedures. The impact of any change in the accounting estimates is then reflected in the financial statements.

In deriving a reliable estimate, revenue is recognised to the extent that amounts forecast from variations and claims are agreed or considered, in management's judgement, probable to be agreed. The Group's five largest unagreed variations and claims positions as at 31 December 2023 related to contracts with an overall contract value of £484.0m, which have contributed total contract revenue in the year of £151.3m. In relation to these contracts, the Group has included probable estimated recoveries with a combined value of £32.5m. There are a host of factors affecting potential outcomes in respect of these variations and claims on each contract, which could result in a range of reasonably possible outcomes. Management estimates that these factors, in aggregate, could lead to a reasonably possible outcome ranging from upside of circa +25% to downside of circa -25%, relative to the estimated recovery of £32.5m reflected in these financial statements. In reality, it is highly unlikely that 100% of the aggregate upside or downside would materialise, with upside on some contracts offset by downside on others in the portfolio.

xxii) SIGNIFICANT AREAS OF JUDGEMENT AND UNCERTAINTY (continued)

b) Carrying value of residential land and development assets – see note 12

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

c) Valuation of investment property – see note 10

The annual valuation of investment properties is carried out by an independent chartered surveyor (at least once every three years) or by a director of a subsidiary of the Group, who is a chartered surveyor, to the required standard for such valuations. The property portfolio was valued on an income approach taking into consideration an average net operating profit capitalised at a market driven yield which ranged from 7.49% - 11.00% (2022: 7.35% - 10.75%), less normal purchasers' acquisition costs. Assumptions on which the valuations have been based include, but are not limited to, matters such as tenure and tenancy details, ground conditions and the structural condition of the properties, prevailing market yields and comparable market transactions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income from that property.

d) Provisions and recoveries – see notes 17 and 25

In the event of the Group making a loss on a contract, provision is made for all losses that are foreseen in bringing the contract to completion.

Provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. The Group exercises judgement in recognising provisions and the exposure to contingencies. Judgement is necessary to assess the likelihood that a liability will arise and to quantify the possible amount of any out flow of resources. The inherent uncertainty of such matters means that actual amounts of transactions may differ materially from estimates made. Any difference between the amounts previously recognised and the actual amount is recognised immediately in the consolidated profit and loss account.

In considering whether recovery of costs from third parties, particularly insurers, are virtually certain and therefore recognisable as a separate reimbursement asset, it is necessary to assess contractual arrangements, insurance policies, formal correspondence with relevant parties, expert opinion and legal advice as to liability. In general, insurance recoveries are deemed to be virtually certain when a favourable Legal Liability Report has been received from Legal Counsel.

e) Defined benefit pension schemes – see note 24

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. In addition, as the valuation of illiquid assets is based on a date in advance of year end, it is reviewed at year end for likely possible movements over the intervening period. Each year in selecting the appropriate assumptions, the directors take advice from an independent qualified actuary and the relevant assumptions are set out in the note to the accounts.

2. GROUP STATUTORY TURNOVER

Analysis of statutory turnover by class of business	2023 £000s	2022 £000s
Construction	1,169,237	958,164
Property Services	544,702	497,506
Residential	317,318	287,950
Developments	66,859	39,713
Needspace	3,758	3,564
	2,101,874	1,786,897

2. GROUP STATUTORY TURNOVER (continued)

Analysis of statutory turnover by type	2023 £000s	2022 £000s
Contracts	1,807,551	1,522,424
Rendering of services	192,467	157,772
Sale of land and residential properties	98,098	103,137
Rental/licence fee income	3,758	3,564
	2,101,874	1,786,897

Group statutory turnover is materially within the United Kingdom.

3. OTHER OPERATING INCOME

	2023 £000s	2022 £000s
Compensation income	-	94

4. GROUP OPERATING PROFIT

	2023 £000s	2022 £000s
This is stated after charging/(crediting):		
Amortisation of goodwill	3,477	3,477
Auditors' remuneration*		
- audit of these accounts	85	79
- audit of subsidiaries' accounts	881	818
Cost of stock recognised as an expense	70,883	68,983
Depreciation of tangible fixed assets		
(including loss on disposal of £64,000 (2022: £162,000))	8,976	7,325
Foreign exchange loss/(gain)	237	(527)
Hire of plant and machinery	9,753	5,434
Operating lease rentals	10,062	8,573
Charitable donations	1,540	1,561
Research and development credits	(10,935)	(2,835)
Research and development costs	42,001	14,678

* excludes fee payments made through joint ventures

5. STAFF NUMBERS AND COSTS

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

	2023 NUMBER	2022 NUMBER
Operations	**2,624**	2,587
Administration	**1,697**	1,434
	4,321	4,021

The aggregate payroll costs for the Group were as follows:

	2023 £000s	2022 £000s
Wages and salaries	**282,542**	255,595
Social security costs	**32,599**	30,817
Other pension costs	**25,477**	21,582
	340,618	307,994

The pension operating cost for the year was £19,000 (2022: £128,000) in respect of defined benefit arrangements and £25,458,000 (2022: £21,454,000) in respect of defined contribution arrangements. Further information on retirement benefits are include in note 1 (xviii).

There are no employees of the company.

6. REMUNERATION OF DIRECTORS

		2023 £000s	2022 £000s
Directors' emoluments	– executive and family directors	**2,953**	2,837
	– non-executive directors	**240**	211
Amounts receivable under long-term incentive scheme		**1,883**	1,323
Contributions to money purchase pension schemes		**39**	17
Compensation for loss of office		**-**	992
		5,115	5,380

Five (2022: five) directors have benefits accruing under a money purchase pension scheme.

		2023 £000s	2022 £000s
Highest paid director	– emoluments	**515**	491
	– amounts receivable under long-term incentive scheme	**850**	-
	– money purchase pension schemes	**2**	-
	– compensation for loss of office	**-**	992

7. NET INTEREST RECEIVABLE

	2023 £000s	2022 £000s
Interest receivable		
Bank	2,190	485
Other interest	9,455	5,015
Net interest on defined benefit liability	-	45
Interest receivable	11,645	5,545
Interest payable and similar charges		
Bank interest	103	796
Bank charges	1,136	1,526
Other interest	-	4
Net interest on defined benefit liability	56	-
Interest payable and similar charges	1,295	2,326

Other interest receivable includes amounts from joint ventures of £6,990,000 (2022: £4,698,000) which is also included within interest payable by joint ventures disclosed on the face of the Consolidated profit and loss account.

8. TAX ON PROFIT

a) Analysis of the charge in the year

	2023 £000s	2022 £000s
Current tax		
UK corporation tax on the profit for the year	**4,563**	2,471
Adjustments in respect of prior years	**1,303**	401
Total current tax	**5,866**	2,872
Deferred tax		
Origination and reversal of timing differences	**6,676**	3,344
Adjustments in respect of prior years	**274**	(300)
Total deferred tax	**6,950**	3,044
Total tax on profit	**12,816**	5,916

The Finance Act 2022 introduced residential property developer tax ('RPDT') effective from 1 April 2022 which is chargeable at 4% on profits generated from residential property development activities in excess of an annual threshold. During the current year, profits generated from residential property development activities did not exceed the annual threshold. The prior year tax charge included £225,000 in respect of RPDT.

During the year beginning 1 January 2024, 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.

8. TAX ON PROFIT (continued)

b) Factors affecting the total tax charge for the year

The total tax charge for the year is higher (2022: higher) than the blended standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

	2023 £000s	2022 £000s
Profit before tax	**44,934**	31,534
Less share of profit after tax of joint ventures and associates taxed as separate entities	**(2,354)**	(7,449)
Group profit before tax	**42,580**	24,085
Group profit at the blended standard rate of corporation tax in the UK of 23.5% (2022: 19%)	**10,006**	4,576
Effects of:		
Permanent disallowable costs	**957**	933
Change in tax rates/timing differences	**276**	81
Residential property developer tax	**-**	225
Adjustments in respect of prior years	**1,577**	101
Group total tax charge for the year	**12,816**	5,916

9. INTANGIBLE ASSETS – GOODWILL

Group	£000s
Cost at 1 January 2023 and 31 December 2023	**72,098**
Amortisation:	
At 1 January 2023	33,993
Provided during the year	3,477
At 31 December 2023	**37,470**
Net book value:	
At 31 December 2023	**34,628**
At 31 December 2022	38,105

The net book value of goodwill at 31 December 2023 includes amounts and remaining amortisation periods in relation to the following acquisitions:

ACQUISITION	REMAINING AMORTISATION PERIOD	NET BOOK VALUE OF GOODWILL
Wates Property Services Limited	7.4 years	£10,054,000
Purchase Group	10.9 years	£4,536,000
Parts of the Shepherd Group	11.8 years	£20,038,000

10. TANGIBLE FIXED ASSETS

	LAND AND BUILDINGS					
Group	INVESTMENT PROPERTIES - FREEHOLD £000s	LEASEHOLD IMPROVEMENTS £000s	BUILDINGS £000s	PLANT AND EQUIPMENT £000s	BUSINESS SYSTEMS SOFTWARE £000s	GROUP TOTAL £000s
Valuation or cost:						
At 1 January 2023	45,139	11,616	-	22,686	33,457	112,898
Additions	456	1,915	-	5,097	3,221	10,689
Revaluations	(5,483)	-	(112)	-	-	(5,595)
Transfers	(2,304)	2,747	2, 304	(2,747)	(366)	(366)
Disposals	-	(349)	-	(3,339)	-	(3,688)
At 31 December 2023	**37,808**	**15,929**	**2,192**	**21,697**	**36,312**	**113,938**
Depreciation:						
At 1 January 2023	-	8,066	-	16,741	22,951	47,758
Provided during the year	-	1,631	-	3,254	4,027	8,912
Transfers	-	1,530	-	(1,530)	-	-
Disposals	-	(349)	-	(3,266)	-	(3,615)
At 31 December 2023	**-**	**10,878**	**-**	**15,199**	**26,978**	**53,055**
Net book amounts:						
At 31 December 2023	**37,808**	**5,051**	**2,192**	**6,498**	**9,334**	**60,883**
At 31 December 2022	45,139	3,550	-	5,945	10,506	65,140

Investment properties, which are all freehold, were revalued at 30 November 2023 to a fair value of £37,808,000, 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 valuation was reviewed at 31 December 2023 for likely possible movements over the intervening period. The method of determining fair value and the assumptions on which valuations are based are set out in note 1(xxii). The cost of investment properties at 31 December 2023 was £41,714,000 (2022: £43,889,000).

During the year, a part of one of the investment properties was leased by a subsidiary of the Group for a lease term of 5 years. The fair value of that part of the property at the inception of the lease was estimated at £2,304,000 and was transferred from investment properties to buildings. The building was revalued at 30 November 2023 to a fair value of £2,192,000. The cost of the building at 31 December 2023 was £2,631,000 (2022: £nil).

Other tangible fixed assets are stated at cost less depreciation.

Leasehold improvements with a net book value of £1,217,000 (cost of £2,747,000 less accumulated depreciation of £1,530,000) were transferred from Plant and equipment to Leasehold improvements at 1 January 2023 in order to consistently classify our leasehold improvements across the Group.

Business systems software as at 31 December 2023 included assets in the course of construction of £1,780,000 (2022: £1,544,000).

At the balance sheet date the Group had committed to incur capital expenditure of £nil (2022: £4,000).

At the balance sheet date the Group had contracted with licence and lease holders regarding provision of flexible office space, studios and managed workspace for minimum payments due within one year of £1,152,000 (2022: £992,000), due over one year up to 5 years of £1,845,000 (2022: £1,209,000) and due after 5 years of £315,000 (2022: £nil). Contracts include licence agreements. They are generally issued on a 3 month minimum term basis, rolling monthly thereafter.

11. JOINT VENTURES AND ASSOCIATES AND OTHER INVESTMENTS

Group	JOINT VENTURES £000s	ASSOCIATES £000s	TOTAL JOINT VENTURES AND ASSOCIATES £000s	EQUITY LOANS £000s
At 1 January 2023	110,811	291	111,102	266
Additions	79,458	-	79,458	-
Repayments	(61,013)	(196)	(61,209)	-
Deferred income	512	-	512	-
Share of (loss)/profit	(412)	29	(383)	-
At 31 December 2023	**129,356**	**124**	**129,480**	**266**

The investment in joint ventures includes loans amounting to £94,705,000 (2022: £77,260,000).

Repayments include dividends received from joint ventures and associates of £196,000 (2022: £2,514,000).

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

	INTEREST	REGISTERED OFFICE
Barratt Wates (East Grinstead) Limited *	50.0%	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF
Barratt Wates (East Grinstead) No. 2 Limited	50.0%	
Barratt Wates (Horley) Limited *	21.5%	
Barratt Wates (Lindfield) Limited *	50.0%	
Barratt Wates (Worthing) Limited *	50.0%	
DWH/Wates (Thame) Limited *	50.0%	
Berkshire Land Limited	33.3%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
Linden (Basingstoke) Limited	50.0%	
Linden Wates (Barrow Gurney) Limited	50.0%	
Linden Wates (Bricket Wood) Limited	50.0%	
Linden Wates (Cranleigh) Limited *	50.0%	
Linden Wates Developments (Chichester) Limited *	50.0%	
Linden Wates Developments (Folders Meadow) Limited *	50.0%	
Linden Wates (Dorking) Limited *	50.0%	
Linden Wates (Kempshott) Limited *	50.0%	
Linden Wates (Lovedean) Limited *	50.0%	
Linden Wates (Ravenscourt Park) Limited *	50.0%	
Linden Wates (Ridgewood) Limited *	50.0%	
Linden Wates (The Frythe) Limited *	50.0%	
Linden Wates (Westbury) Limited	50.0%	
Linden Wates (West Hampstead) Limited *	50.0%	
Vistry Wates Nominee Limited	50.0%	

* Owned directly by Wates Group Limited

	INTEREST	REGISTERED OFFICE
HSDP Nominee Ltd	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
HWR Nominee Ltd	50.0%	
Miller Wates (Bracklesham) Limited *	50.0%	2 Centro Place, Pride Park, Derby, Derbyshire DE24 8RF
Miller Wates (Chalgrove) Limited *	50.0%	
Miller Wates (Didcot) Limited *	50.0%	
Miller Wates (Southwater) Limited *	50.0%	
Miller Wates (Wallingford) Limited *	50.0%	

The Group holds the following interests in limited liability partnerships:

	INTEREST	REGISTERED OFFICE
Harrow Strategic Development Partnership LLP	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
Havering and Wates Regeneration LLP	50.0%	
HSDP Byron Quarter LLP	50.0%	
HWR Phase 1 Stage 1 LLP	50.0%	
HWR Phase 1 Stage 2 LLP	50.0%	
HWR Phase 1 Demo Stages 3-10 LLP	50.0%	
Signature Wates Residential LLP	50.0%	
Laurus Living Space LLP	50.0%	Sale Point, 126-150 Washway Road, Sale, Manchester M33 6AG
Linden (Battersea Bridge Road) LLP *	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
Linden Wates (Horsham) LLP *	50.0%	
Linden Wates (Ringwood) LLP *	50.0%	
Linden Wates (Royston) LLP	50.0%	
Linden Wates (Salisbury) LLP *	50.0%	
Linden Wates (Walberton) LLP	50.0%	
Vistry Wates (Buckingham) LLP	50.0%	
Vistry Wates Finance LLP	50.0%	
Vistry Wates Holdings LLP *	50.0%	
Vistry Wates (Leybourne) LLP	50.0%	
Vistry Wates (Tenterden) LLP	50.0%	
Vistry Wates (Walshes) LLP	50.0%	
Miller Wates (Oakley) LLP	50.0%	2 Centro Place, Pride Park, Derby, Derbyshire DE24 8RF

* Owned directly by Wates Group Limited

11. JOINT VENTURES AND ASSOCIATES AND OTHER INVESTMENTS (continued)

ASSOCIATES

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

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

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

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

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 £349,000 (2022: £349,000), are repayable, together with a share in the capital appreciation, when the underlying property is sold. Included in the total are loans with a cost of £41,000 (2022: £41,000), which were repayable if the properties were not sold by 2021. These outstanding loans are secured by a charge over the property so are therefore considered recoverable. Loans with a cost of £128,000 (2022: £128,000) are interest free and loans with a cost of £221,000 (2022: £221,000) were interest free until 2016 when a fee of 1.75% became receivable, rising annually by the Retail Price Index plus one percent.

COMPANY

	SHARES IN GROUP UNDERTAKINGS £000s	INTERESTS IN JOINT VENTURES £000s	TOTAL £000s
At 1 January 2023	56,538	46,869	103,407
Additions	-	57,977	57,977
Repayments	-	(56,275)	(56,275)
Impairment	(4,500)	-	(4,500)
At 31 December 2023	**52,038**	**48,571**	**100,609**

The cost of shares in Group undertakings is £71,762,000 (2022: £71,762,000). The value of shares in Group undertakings of £52,038,000 (2022: £56,538,000) is net of cumulative impairments of £19,724,000 (2022: £15,224,000). An impairment of £4,500,000 was recognised in the year in respect of the investment in Needspace? Limited. The investment in joint ventures includes loans amounting to £48,561,000 (2022: £46,859,000). Repayments include dividends received from joint ventures of £nil (2022: £2,500,000). Dividends received are credited to the Profit and loss account on receipt.

For the year ended 31 December 2023, the following subsidiaries of the company were entitled to exemption from audit of individual company accounts under Section 479A of the Companies Act 2006:

Wates (Crowborough) Limited (Company number 13163327)

Wates Group Services Limited (Company number 00340931)

Wates Limited (Company number 03599183)

Wates Residential Limited (Company number 13453218)

Wates Residential Construction Limited (Company number 13458439)

Wates Residential Development Limited (Company number 13458441)

Wates Smartspace Limited (Company number 13482045)

Wates (WR) Limited (Company number 11735213)

A list of the Group's subsidiary undertakings is set out on page 190.

12. STOCKS

Group	2023 £000s	2022 £000s
Raw materials and consumables	**71**	60
Residential land and work in progress under development	**41,583**	54,076
	41,654	54,136

Group residential land and work in progress under development includes costs associated with performance obligations arising from option and promotion agreements in respect of land of £14,219,000 (2022: £17,347,000).

Company	2023 £000s	2022 £000s
Residential land and work in progress under development	**2,595**	-

Company residential land and work in progress under development does not include any costs associated with performance obligations arising from option and promotion agreements in respect of land (2022: £nil).

13. DEBTORS

	GROUP 2023 £000s	GROUP 2022 £000s	COMPANY 2023 £000s	COMPANY 2022 £000s
Amounts falling due within one year				
Trade debtors	**152,585**	155,668	**14**	-
Amounts recoverable on contracts	**192,469**	196,745	**-**	-
Insurance reimbursement asset	**17,691**	11,462	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**139,618**	117,028
Amounts owed by joint ventures and associates	**2,943**	255	**19**	23
Deferred tax (note 18)	**1,775**	1,647	**-**	-
Corporation tax receivable	**13,606**	7,134	**14**	-
Other debtors	**5,992**	3,615	**-**	-
Prepayments and accrued income	**13,923**	16,068	**478**	469
	400,984	392,594	**140,143**	117,520
Amounts falling due after one year				
Trade debtors	**46,817**	13,705	**-**	
Amounts recoverable on contracts	**23,548**	23,975	**-**	-
Insurance reimbursement asset	**17,103**	17,272	**-**	-
Deferred tax (note 18)	**987**	5,674	**-**	-
Corporation tax receivable	**406**	406	**406**	406
Other debtors	**1,466**	1,400	**1,250**	1,250
Prepayments and accrued income	**384**	488	**384**	488
	90,711	62,920	**2,040**	2,144
	491,695	455,514	**142,183**	119,664

14. CASH AT BANK AND CASH IN HAND

Group	2023 £000s	2022 £000s
Cash at bank	**137,996**	206,917

Included within cash is £1,715,000 (2022: £nil) held in construction project bank accounts for future payment to designated suppliers.

The net cash position (being cash and cash equivalents excluding cash held in joint ventures, net of bank overdrafts) at year end is £137,996,000 (2022: £152,884,000).

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2023 £000s	GROUP 2022 £000s	COMPANY 2023 £000s	COMPANY 2022 £000s
Bank overdrafts	**-**	54,033	**-**	-
Advance payments on account of contracts	**94,959**	128,259	**-**	-
Trade creditors	**85,051**	79,847	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**157,910**	141,501
Amounts owed to joint ventures	**23,919**	25,056	**23,919**	25,056
Corporation tax payable	**-**	-	**-**	82
Other taxes and social security	**51,019**	49,739	**-**	2
Other creditors	**2,422**	2,209	**-**	-
Accruals	**366,584**	325,844	**900**	939
Deferred income	**4,359**	3,050	**-**	-
	628,313	668,037	**182,729**	167,580

The Group has in place a Revolving Credit Facility of £90m, which expires in March 2026. The facility was undrawn at 31 December 2023 (2022: £nil).

The Revolving Credit Facility is secured against the majority of the Group's subsidiaries and their assets. The Group has remained compliant with the covenants throughout the period up to the date of this report. Interest rates on the Group's banking facilities (bank loans) as at the end of the year were less than 7.3%.

The bank overdraft in 2022 reflected an overdraft in a single bank account within Wates Construction Limited. This bank account formed part of the Group's only net overdraft facility arrangement. The aggregate amount held within the accounts covered by this facility were in a positive cash position at the balance sheet date.

The overdraft presented arose because the Group placed funds on short term money market deposit which settled the above overdraft immediately following the year end. The overdraft was shown as a current liability to reflect the fact that the settlement of this overdraft was made through the transfer from the money market deposit rather than a net settlement within the cash pooling accounts.

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

	GROUP 2023 £000s	GROUP 2022 £000s	COMPANY 2023 £000s	COMPANY 2022 £000s
Advance payments on account of contracts	**796**	19,574	-	-
Accruals	**17,210**	1,029	-	-
Deferred income	**679**			
	18,685	20,603	-	-

17. PROVISIONS AND RECOVERIES

Group	2023 £000s	2022 £000s
At 1 January	**72,423**	56,535
Utilised during the year	**(18,092)**	(10,103)
Charged to profit and loss account	**23,123**	27,628
Credited to profit and loss account	**(1,928)**	(1,637)
At 31 December	**75,526**	72,423
Provision for net defined benefit pension scheme deficit (note 24)	**3,744**	7,824
Total	**79,270**	80,247

Provisions, other than the provision for the net defined benefit pension scheme deficit, arise predominantly in respect of remediation works on construction projects.

In making the provisions, the directors have established that a contractual or constructive obligation exists at the balance sheet date and compiled an estimate of costs to complete the associated works. While the amount of the provision recorded has been reliably estimated, until all costs are final, the directors consider the estimated future cash outflow of £75,526,000 to be appropriate.

Some of these obligations are likely to crystallise more than one year but within three years after the balance sheet date.

The Group holds insurance policies or has sought recoveries from supply chain partner insurers to mitigate these liabilities. These are recognised as separate assets when the reimbursement is virtually certain. The directors consider the probable cash inflow to range from £34,794,000 to £41,566,000 while the amount recognised as virtually certain at the balance sheet date is £34,794,000 (see note 13). During the year £9,613,000 of insurance recoveries have been credited to the profit and loss account in respect of remediation works for which provisions have been made.

18. DEFERRED TAX

Group	£000s
At 1 January 2023	**7,321**
Charged to profit and loss account	**(6,950)**
Credited to other comprehensive income	**2,391**
At 31 December 2023	**2,762**

18. DEFERRED TAX (continued)

Deferred tax is provided as follows:

	2023 £000s	2022 £000s
Accumulated depreciation in excess of capital allowances	**(1,165)**	(636)
Deferred tax arising in relation to retirement benefit obligations	**936**	1,956
Other timing differences including tax losses	**2,991**	6,001
	2,762	7,321

	2023 £000s	2022 £000s
Deferred tax asset under one year	**1,775**	1,647
Deferred tax asset over one year	**987**	5,674
	2,762	7,321

19. 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	2023 £000s	2022 £000s
Financial assets		
Debt instruments measured at amortised cost • Loans receivable from joint ventures (notes 11 and 13)	**94,724**	77,283
Equity instruments measured at cost less impairment • Equity loans (note 11)	**266**	266
Interest income and expense		
Total interest income for financial assets at amortised cost	**6,990**	4,698
Total interest expense for financial liabilities at amortised cost	**1,239**	2,322

20. CALLED UP SHARE CAPITAL AND RESERVES

	2023 NUMBER	2023 £000s	2022 NUMBER	2022 £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	**2,500,000**	**2,500**	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
	12,278,023	**12,277**	14,778,023	14,777

During the year 2,500,000 second preference shares of £1 each were redeemed for a consideration equal to par value. In order to maintain the capital of the company an amount equal to the par value of the shares has been transferred to the Capital redemption reserve with an offsetting reduction in the Profit and loss account.

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

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

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

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

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

The Group and company's reserves are as follows:

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

The profit and loss account reserve represents cumulative profits and losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The following dividends were paid by the Group and company:

	2023 £000s	2022 £000s
Ordinary shares	**10,774**	13,668
Second ordinary shares	**2**	2
Preference shares	**2,973**	2,973
Second preference shares	**354**	375
Index linked shares	**546**	501
	14,649	17,519

As noted above, all classes of shares, except the second preference shares, are divided into A, B and C sub-classes with any dividends equally divided between them.

21. RECONCILIATION OF GROUP OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	2023 £000s	2022 £000s
Group statutory operating profit including joint ventures and associates	**34,584**	28,315
Adjustments for:		
Decrease in fair value of investment property	**5,483**	4,399
Decrease in fair value of buildings	**112**	-
Profit on sale of properties with equity loans	**-**	(11)
Depreciation and amortisation	**12,453**	10,802
Joint ventures and associates	**383**	(7,278)
Reversal of impairment of other investments	**-**	(256)
Decrease in stocks	**12,482**	20,950
Increase in debtors	**(45,024)**	(139,682)
Increase in creditors	**13,773**	64,852
Increase in provisions	**3,103**	15,888
Cash generated from/(used in) operations before adjustment for pensions funding	**37,349**	(2,021)
Adjustment for pensions funding	**(13,699)**	(11,301)
Cash generated from/(used in) operations	**23,650**	(13,322)
Interest received	**10,672**	5,241
Interest paid	**(444)**	(2,049)
Corporation tax paid	**(1,404)**	(359)
Net cash inflow/(outflow) from operating activities	**32,474**	(10,489)

22. GROUP NET CASH RECONCILIATION

	1 JANUARY 2023 £000s	CASH FLOWS £000s	31 DECEMBER 2023 £000s
Cash and cash equivalents	206,917	(68,921)	**137,996**
Bank overdrafts	(54,033)	54,033	**-**
Net cash	152,884	(14,888)	**137,996**

23. OPERATING LEASE COMMITMENTS

	2023 £000s	2022 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	**9,314**	6,668
Between one and five years	**16,181**	12,111
After five years	**-**	13
	25,495	18,792

24. PENSION SCHEMES

The Group historically operated a defined benefit pension scheme, the Wates Pension Fund ('the scheme'), which is now closed to future accrual and new entrants. The Group also operates personal pension schemes providing benefits on a defined contribution basis. Subsidiaries of the Group participate in a defined benefit scheme accounted for on a defined contribution basis (see note 1(xviii)).

The funds of the scheme are administered by trustees and are separate from the funds of the Group.

The latest full actuarial valuation of the scheme was carried out at 1 January 2020. Preliminary results of the formal actuarial valuation as at 1 January 2023 were updated to the accounting date by a qualified independent actuary.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	2023	2022
Discount rate	**4.55%**	4.80%
Rate of compensation increase	**4.00%**	4.20%
Rate of price inflation	**3.00%**	3.20%
Rate of pension increase	**2.30%**	2.50%

Weighted average life expectancy for mortality tables used to determine benefit obligations at year end	2023 YEARS	2022 YEARS
Male member age 65 (current life expectancy)	**21.9**	22.2
Female member age 65 (current life expectancy)	**24.5**	24.7
Male member age 45 (life expectancy at age 65)	**23.2**	23.4
Female member age 45 (life expectancy at age 65)	**25.8**	26.1

Components of pension credit	2023 £000s	2022 £000s
Recognised in the profit and loss account:		
Current service credit	**(198)**	(322)
Net interest cost/(credit)	**56**	(45)
	(142)	(367)
Recognised in other comprehensive income	**9,563**	16,036
Total cost relating to defined benefit scheme	**9,421**	15,669

Analysis of deferred tax recognised in other comprehensive income	2023 £000s	2022 £000s
Tax credit relating to remeasurement of net defined benefit liability	**(2,391)**	(4,009)
Total tax credit relating to other comprehensive income	**(2,391)**	(4,009)

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

	2023 £000s	2022 £000s
Present value of defined benefit obligations	**(202,274)**	(196,994)
Fair value of scheme assets	**198,530**	189,170
Net liability recognised in the balance sheet	**(3,744)**	(7,824)

24. PENSION SCHEMES (continued)

	2023 £000s	2022 £000s
Movements in the present value of defined benefit obligations:		
At 1 January	**196,994**	322,394
Service credit	**(198)**	(322)
Interest cost	**9,217**	6,180
Actuarial loss/(gain)	**6,344**	(120,223)
Benefits paid	**(10,083)**	(11,035)
At 31 December	**202,274**	196,994
Movements in the fair value of scheme assets:		
At 1 January	**189,170**	319,260
Interest income	**9,161**	6,225
Actual return less interest on scheme assets	**(3,219)**	(136,259)
Employer contribution	**13,501**	10,979
Benefits paid	**(10,083)**	(11,035)
At 31 December	**198,530**	189,170

The Group's scheme assets are mainly invested in pooled investment funds. The analysis of scheme assets at the balance sheet date is as follows:

	2023 %	2022 %
Major categories of scheme assets as a percentage of the fair value of total scheme assets:		
Equity securities	**14.1%**	8.1%
Debt securities	**70.5%**	81.6%
Real estate	**1.1%**	3.2%
Cash and cash equivalents	**9.4%**	7.1%
Other	**4.9%**	0.0%
	100.0%	100.0%

Scheme assets include £24,931,000 (2022: £21,259,000) of illiquid investments, being 12.6% (2022: 11.2%) of the total fair value of scheme assets. These assets are regularly valued by the fund manager and reported to the administrator of the fund. The most recent valuations are used in the assessment of the fair value of these illiquid investments, which in some instances was at 30 September 2023. The valuation was reviewed at 31 December 2023 for likely possible movements over the intervening period.

The Group expects to contribute up to £8,400,000 to the scheme in 2024 in order to reduce the deficit.

25. CONTINGENCIES

There are claims arising in the normal course of trading that are in the process of negotiation. In some cases these negotiations may be protracted over several years. Provision has been made for all amounts that the directors consider will become payable on account of claims. There are contingent liabilities in respect of guarantees and other agreements entered into in the normal course of business.

The Group continues to assess and analyse the impact of the Building Safety Act (BSA). The impact of the BSA gives rise to potential liabilities for remediation costs on residential buildings over 11m high constructed during the 30-year period to 30 June 2022. We have formally joined the Responsible Actors Scheme during the year for projects where we have acted as a Residential Developer but it is important to note that the Group's development activities of residential buildings over 11m during this extended period was limited.

Since the BSA came into force we have been notified of 13 potential claims, these are all at the investigation stage and we are currently awaiting expert reports and assessments as required under the Act. The vast majority of historical notifications of potential claims have not resulted in an outflow of resources or have been settled with little net expenditure after taking into account insurance recoveries.

Provisions of £3,722,000 were charged during 2023 in respect of new claims recognised in the year. See note 17 on provisions and recoveries for further information.

There continues to be a high degree of uncertainty and it is not possible to quantify the future impact on the Group's financial position at this time. The Board is continuing to closely monitor developments.

26. 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 2023 was £23,577,000 (2022: £27,203,000).

Amounts were due to the Group from joint ventures and associates at 31 December 2023 of £97,648,000 (2022: £77,515,000). Additionally, at 31 December 2023, the Group owed joint ventures £23,919,000 (2022: £25,056,000). Interest at market rates is receivable/(payable) in respect of loans, which are unsecured, due from/(to) joint ventures.

Myriad CEG Group Limited ('Myriad') is a company under common control of the company's shareholders and hence is a related party. On 5 January 2022, a loan with an estimated fair value of £nil was waived. The company has also guaranteed the bank overdraft of a subsidiary held by Myriad in the amount of £250,000 (2022: £500,000) and in turn has received a counter guarantee from members of the Wates family.

On 10 September 2020, loans to shareholders were granted such that at 31 December 2023; £500,000 (2022: £500,000) was due from Sir James G.M Wates, a shareholder and director of the company, to the company; £250,000 (2022: £250,000) was due from Jonathan G.M. Wates, a shareholder and director of the company, to the company; £250,000 (2022: £250,000) was due from Timothy A.D. Wates, a shareholder and director of the company, to the company; and £250,000 (2022: £250,000) was due from Andrew E.P. Wates, a director of the company, to the company. All loans are repayable in September 2027. The outstanding amounts represent the full amounts of the loans. Interest on the loans is charged at the higher of the official rate for beneficial loans arrangements as set by HMRC of 2.25% and 2.5%. Interest accrues daily and is payable annually in arrears on each anniversary of the date on which the loan is borrowed.

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Andrew T. A. Wates, who is a shareholder of the company, and his wife Sarah, in July 2016. The initial contract will last for 10 years and an initial amount of £85,000 was paid. Wates Developments Limited will be paid a promotion fee of 20%, being 20% of the net sale proceeds received by Andrew T. A. Wates and his wife Sarah, if it successfully achieves planning on the site within 10 years. The promotion is extendable for 10 years on payment of an additional fee. During 2019, Wates Developments Limited bought a piece of land adjacent to the site. If the promotion contract between Andrew T. A. Wates and his wife Sarah expires, Andrew T. A. Wates and his wife, Sarah, can purchase this piece of land at cost plus interest at 2% above the base rate.

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Michael E. Wates, who is a shareholder of the company, and his wife Caroline, in August 2020. The initial contract will last for 10 years and an initial amount of £50,000 was paid.

26. RELATED PARTIES (continued)

Wates Developments Limited will be paid a promotion fee of 20%, being 20% of the net sale proceeds received by Michael E. Wates and his wife Caroline, if it successfully achieves planning on the site within 10 years.

The promotion is extendable for 10 years on payment of an additional fee.

Key management personnel includes all statutory directors of the company and of the Executive Committee.

The total remuneration for key management personnel for the year was £15,940,000 (2022: £17,687,000) including dividends received of £5,688,000 (2022: £7,072,000).

27. ALTERNATIVE PERFORMANCE MEASURES

The performance of the Group is assessed using a variety of performance measures, including alternative performance measures (APM) which are presented to provide users with additional financial information that is regularly reviewed by management. The following APMs are referred to throughout the report.

Group turnover including the Group's share of joint ventures' and associates' turnover	2023 £000s	2022 £000s
Group statutory turnover	2,101,874	1,786,897
Share of turnover of joint ventures and associates	81,603	107,174
Group turnover	**2,183,477**	1,894,071

Operating profit excluding the Group's share of joint ventures' and associates' interest and tax	2023 £000s	2022 £000s
Statutory Group operating profit: Group and share of joint ventures and associates	34,584	28,315
Share of net interest payable of joint ventures and associates	8,758	5,739
Share of tax of joint ventures and associates	1,234	2,130
Operating profit *	**44,576**	36,184

* Also referred to as Total operating profit before interest and tax on the face of the Consolidated profit and loss account.

Operating profit margin calculated as total operating profit before interest and tax divided by total revenue	2023 £000s	2022 £000s
Operating profit margin	**2.0%**	1.9%

Group profit before tax excluding the Group's share of joint ventures' and associates' tax	2023 £000s	2022 £000s
Group statutory profit before tax	44,934	31,534
Share of tax of joint ventures and associates	1,234	2,130
Group profit before tax	**46,168**	33,664

The performance of the Group's joint ventures and associates is as follows:

Share of post-tax (loss)/profit from joint ventures and associates	2023 £000s	2022 £000s
Turnover	81,603	107,174
Operating profit	9,609	15,147
Interest	(8,758)	(5,739)
Profit before tax	851	9,408
Tax	(1,234)	(2,130)
(Loss)/profit before tax	**(383)**	7,278

These APMs are not defined under FRS 102 and therefore may not be directly comparable with similarly identified measures used by other entities. They are not intended to be a substitute for, or superior to, FRS 102 measures.

SUBSIDIARY UNDERTAKINGS

At 31 December 2023

Except where otherwise stated:

- All subsidiary undertakings are incorporated in the United Kingdom and registered in England and Wales;
- The registered office of all subsidiary undertakings is Wates House, Station Approach, Leatherhead, Surrey KT22 7SW;
- The Wates Group Limited interest is 100% of the issued share capital of the subsidiary undertakings listed below included in the consolidated accounts.

SUBSIDIARY UNDERTAKING

10 St Bride Street Limited *

Brooks and Rivers Limited

Danesdale (Pebble Drive) Limited

G Purchase Construction Limited

GW 217 Limited

Needspace? Limited *

Purchase Group Limited

Purchase Home Improvements Limited

Purchase Homes Limited

Purchase Support Limited

QED Education Environments Limited *

Relocation and Inventory Services Limited

SES Engineering (Holdings) Limited *

SES (Engineering Services) Limited

Stageselect Limited *

Third Wates Investments Limited

Wates Amenity Lands Limited

Wates Built Homes (Blakes) Limited

Wates Built Homes (London) Limited

Wates Built Homes Limited

Wates Built Homes (Retirement) Limited

Wates Built Homes (Southern) Limited

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

Wates Construction Limited *

Wates Construction Services Limited

Wates (Crowborough) Limited

Wates Developments Limited *

Wates Financial Services Limited

Wates FM Limited *

Wates Group Properties Limited

Wates Group Services Limited *

Wates Healthcare Trustee Company Limited

Wates Homes (Bracknell) Limited

Wates Homes (Cambridge) Limited

Wates Homes (Chichester) Limited

Wates Homes (Farnham Common) Limited

Wates Homes Limited

Wates Homes (Oakley) Limited

Wates Homes (Odiham) Limited

Wates Homes (Wallingford) Limited

Wates Homes (Warsash) Limited

Wates Interiors Limited

Wates Lancewood Estates Limited *

Wates Limited *

Wates Property Services Limited

Wates Maintenance Services Limited

Wates Pension Trustee Company Limited

Wates PFI Investments Limited

Wates PFI Investments (Projects) Limited

Wates PFI Investments (QED) Limited

Wates Regeneration (Coventry) Limited

Wates Regeneration (South Acton) Limited

Wates Regeneration (Tavy Bridge) Limited

Wates Residential Limited *

Wates Residential Construction Limited

Wates Residential Development Limited

Wates Second Land Limited

Wates Smartspace Limited *

Wates Staff Trustees Limited

Wates Surrey One Limited

Wates (Walberton) Limited *

Wates (WR) Limited

WBH (Financial Services) Limited

Woodside Lands Estates Limited

Woodside Lands Limited

Woodside Lands Management Limited

* Owned directly by Wates Group Limited

The consolidated income and expenditure, assets and liabilities and cash flows of the subsidiary undertakings of the Group include the Group's shares of the following unincorporated jointly controlled assets:

	INTEREST	ADDRESS
American Community School Landscaping	24.5%	Eastern International LLC, City Gate Tower, 11th Floor, Al Wahda Street, PO Box 1596 Sharjah, United Arab Emirates
Qasr Al Hosn Fort and NCCC Main Contract Works	24.5%	
Linden Wates (St. Albans)	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY

GROUP FIVE-YEAR SUMMARY

	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**
Profit and loss account					
Group turnover including share of joint ventures' and associates' turnover	1,634	1,449	1,626	1,894	**2,183**
Group statutory turnover	1,548	1,383	1,522	1,787	**2,102**
Operating profit excluding share of joint ventures' and associates' interest and tax	39.0	4.6	35.3	36.2	**44.6**
Underlying operating profit excluding share of joint ventures' and associates' interest and tax *	39.0	16.0	35.3	36.2	**44.6**
Group profit before tax excluding share of joint ventures' and associates' tax	36.2	1.7	32.6	33.7	**46.2**
Group underlying profit before tax excluding share of joint ventures' and associates' tax *	36.2	13.1	32.6	33.7	**46.2**
Group statutory profit before tax	34.6	0.8	31.2	31.5	**44.9**
Balance sheet					
Net assets	152.4	142.0	166.8	162.3	**171.3**

* In order to provide users with a clear and consistent presentation of the underlying performance of the Group, the 2020 figures separately identified items that were considered to be exceptional because of their size or non-recurring nature. The exceptional items were excluded from the underlying data presented in the table above.

Wates

We would like to thank all our colleagues
who featured in this report.

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