

Wates

WATES GROUP LIMITED

Annual
Accounts
& Reports
2020



2020 in focus

£1.45bn Turnover*
£14.7m EBITDA*
 (underlying: £26.1m)
£1.7m Profit (PBT*)
 (underlying: £13.1m)
 Statutory PBT** **£0.8m**

Cash **£215.9m**
 (52% increase)
 Net cash **£161.6m**
 Forward order book up **13.5%** to £6.6bn
 Value of work won since start of pandemic – **£1.8bn**

More information on the Group's alternative performance measures can be found in the Strategic report on page 66.

3,578 people
 (at December 2020)
26.8 million hours worked
 (construction sites)
94% average site efficiency across 2020

5,449 new homes under construction
713 sites under construction
 (at December 2020)
c.500,000 homes maintained in social housing sector
 Facilities managed in **323** commercial buildings

Wates

56% saving in energy (kWh) since 2019
£7.6m spent with social enterprises
£15.2m social value generated
£106.9m total tax contribution

RIDDOR AFR dropped **37%** over 5 years from 0.060 in 2016 to 0.038 in 2020
50% reduction in RIDDOR injuries over 5 years from 18 in 2016 to 9 in 2020
 Leading health and safety performance – Accident Incidence Rate **67%** below construction industry average

Low number of incidents:
9 RIDDORS
7 Lost time injuries
9 High potential incidents

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There are a number of images throughout this report where colleagues are pictured within close proximity of another person or without face coverings. These photographs were taken before the imposition of COVID-19 social distancing and other requirements, and are indicated with this symbol.

* Inclusive of share of joint ventures and associates (excludes share of taxation of joint ventures and associates).
 ** stated on page 86 includes share of taxation of joint ventures and associates.

Chairman's statement

In one of the most challenging years in our 124-year history, I am pleased to report that the Wates Group's performance in 2020 was strong. The COVID-19 pandemic created difficulties for everyone, with disruption to nearly every aspect of life, but the flexibility and professionalism of our teams stood us in good stead, and we are proud of the remarkable performance they delivered.



The whole built environment sector responded positively to the pandemic and was able to continue meeting the country's needs throughout 2020. The sector's development of special Site Operating Procedures enabled construction sites to remain open whilst adhering to strict public health guidelines. Working in a collaborative spirit, customers, contractors and the supply chain pushed forward to deliver increased capacity for the NHS, including construction of the Nightingale hospitals. Vital infrastructure work on energy, road and rail projects continued, supporting the economy in the short and the long term.

I am proud that the Wates Group played its own part in the pandemic response, delivering renovation work that increased the capacity of The Royal London Hospital. This work required huge changes to normal working patterns, including 24-hour site operations. And in implementing these changes, we have learned so much about how we can make best use of our offices, IT and supply chain relationships.

The future holds more change for the sector and the Wates Group alike. We must continue to look for better ways of working. This means doing more work offsite, being more collaborative with our customers and supply chain, and reducing the carbon footprint of our work and the buildings we create. We urgently need to improve the diversity of our workforce at every level, and our inclusion strategy shows us the way. We will need to continue to be flexible in how we structure ourselves and where we focus our resources to take

advantage of opportunities in the market. All of which will require our focus and determination going forward.

In recent years, owing to the Brexit decision and the lengthy withdrawal negotiations, we have had to navigate a turbulent political environment, and whilst much of the uncertainty is now behind us, we will need to continue to make changes to adapt to no longer being a member of the European Union.

I am grateful to our staff for their hard work and commitment. They have not only coped with adversity, but shone.

Such change is nothing new. The Wates business has faced some big challenges in its history – from World Wars to economic crises. Through all those challenges, we have always stayed true to our purpose and the family business ethos – that business done well is a force for good in society. Our Guiding Framework proved its value in testing times, translating our long-held Wates Family principles into the behaviours we are determined to demonstrate. 'We care', 'We are fair' and 'We look for a better way' are not just slogans; they guide decisions in the context of a world in which companies succeed only if they serve as progressive, sustainable and trusted members of an ecosystem.

I am grateful to all my colleagues for their hard work and commitment. They have not only coped with adversity, but shone. I am impressed with their continued energy in supporting charitable causes in the community.

Our staff's efforts have been rewarded with some major new business wins, such as the £600m regeneration work in Harrow, Northwest London. Our appointment to the Government's £3bn Modern Methods of Construction framework was a testament to our teams' ability to grasp the nettle of change and find new ways of working.

In closing, I would like to thank the Board and Executive Committee. There were no changes to the Board in 2020, but to take advantage of a new business environment following the spring lockdown and an explicit commitment from the government to 'Build, Build, Build', the Executive Committee was restructured in July, and they have responded in their new roles with great energy, commitment and skill.

Notwithstanding the difficulties of 2020 and continued challenges posed by the coronavirus, I am confident of our prospects.

Sir James Wates CBE
Chairman

Chief Executive's Review

These Annual Accounts and Reports celebrate and record the remarkable efforts and achievements of everyone at Wates in a year like no other. They attest to the incredible resilience, adaptability and togetherness of this 124-year-old Group; to the long-term commitment of our shareholders; and to the trust our customers, partners and suppliers continue to place in us. I'm full of respect for what each of my colleagues did to keep our business operating successfully in 2020. Our health and safety performance was excellent. We increased the financial strength of the business. We acquired new skills, discovered new flexibilities and made important changes that will make our business more sustainable, diverse, anti-racist and productive in the future.

By encouraging our sector to keep operating throughout the pandemic, the Government highlighted more clearly than ever before that what we do matters: creating and looking after the fabric of the communities in which we live; and keeping the economy going by providing jobs and income for millions of people. That we played our part in justifying the faith the Government placed in the sector is a source of real pride for all of us at Wates. We're looking forward to building on the achievements and lessons of 2020 as we target the exciting opportunities that lie ahead in 2021 and beyond.

Testing the Guiding Framework

We began 2020 with enormous optimism, having just achieved the highest level of profits the Group had generated for almost a decade and a record order book. Within three months, the pandemic had left us facing a battle for survival. The habits and norms of our lives fell away in just a handful of days.

Our response was shaped by our Guiding Framework, which articulates our purpose and our goals of making our business more sustainable, progressive and trusted. The Guiding Framework also sets out three target behaviours: 'We care', 'We are fair' and 'We look for a better way'. Our commitment to each of these behaviours was tested as we took the tough decisions necessary to safeguard the Group and the interests of our customers.

The early implementation of the furlough scheme and of pay reductions (for April, May and June) was followed a few weeks later by a redundancy programme. These measures protected the business and it is a source of real satisfaction that we have been able already to reimburse the pay reductions for all of our colleagues who worked through the crisis and are still employed by the business.

Continued resilience

As productivity improved and the public health situation stabilised in the summer, we simplified the structure of the Group, intensifying our focus on the key sectors in which we operate: construction, property services, public sector housing and private sector development.

The Group's commitment to housing was reflected in the appointment of Helen Bunch as Executive Managing Director of Wates Residential, which became a standalone division. Wates Smartspace joined the Wates Property Services division, with the aims of offering a greater range of services to our public sector customers and creating valuable cost efficiencies. Wates Integrated Construction Services was created to accelerate the development of our distinctive capabilities in design, offsite manufacturing and the self-delivery of key trades.

Despite the pandemic, the Group delivered another excellent health and safety performance¹ in 2020. This success strengthens our belief that every Wates workplace can and must be a zero-harm environment. We will continue to strive towards this goal in 2021.

The financial strength of our business increased during the year. Turnover for the year was £1.45bn* (£185m or 11.3% lower than in 2019) and the Group delivered pre-tax profits of £1.7m*. Year-end cash of £215.9m was £73.8m up on last year. The Group secured £2.4bn of new work, creating a record year-end order book of £6.6bn. As a result, primarily, of Wates Construction and Wates Residential's work-winning efforts, the Group placed fifth in a leading industry ranking² of total work won during 2020 (and second if the civil engineering contracts for which the Group doesn't compete are excluded): encouraging evidence of the strength of our proposition and of the trust our customers continue to place in us.

* Inclusive of share of joint ventures and associates (excludes share of taxation of joint ventures and associates).



The industry responded enthusiastically to the Prime Minister's rallying cry to 'Build Back Better'. During 2020, almost all major contractors worked together in a spirit of collaboration and supportiveness, including through industry forums such as Build UK and the Construction Leadership Council (CLC). The CLC's new Site Operating Procedures (SOPs) gave hugely valuable confidence to the public and the people working on our sites and contracts that work could continue to be undertaken safely whilst observing social distancing. Wates' swift and effective implementation of the SOPs minimised the delivery time that was lost as a result of the pandemic, to the delight of many of our customers.

On the cusp of a productivity revolution

The introduction of the SOPs and the requirement for most non-site staff to work from home brought about an almost instant and fundamental change in our ways of working. The Group's response to these changes demonstrated that it was possible for us to do more with less and that flexible working could be managed efficiently and effectively.

The social distancing requirements on sites resulted in a 42% drop in the workforce at the end of the first quarter of 2020. However, the corresponding reduction in productivity was less than half this figure (in part because of our increased use of offsite manufacturing). Across the Group, productivity never dipped below 50% of pre-pandemic levels and by the end of December, parts of the Group were achieving productivity levels in excess of 100%.

For much of 2020, it was difficult to meet with customers and colleagues across the country. I have missed these meetings and the human connections they promote very much. It has, however, been great to

interact with colleagues virtually. During the second half of the year, I hosted virtual business briefings for thousands of colleagues. Feedback was overwhelmingly positive, with most delegates being content to accept the loss of physical networking opportunities in exchange for the increased convenience and travel time savings of a virtual event.

So, we have learned that working flexibly has great benefits. We have also learned that it has its limits. There is no substitute for human contact and face-to-face collaboration. We have seen how fear, isolation and stress can take its toll on colleagues' health and wellbeing. We need to adopt the best of what we have learned during 2020 as we push for improvements in productivity, whilst also finding new ways to attend to the needs and preferences of our colleagues.

Changing our habits for a sustainable future

The built environment sector has a huge responsibility to address climate change. With this responsibility comes significant opportunity. Through initiatives such as the development of our 'Adapt 3' schools solution and the creation of Wates Integrated Construction Services, the Group is committed to offering more sustainable methods of construction and more efficient buildings and services to our customers.

In January 2020 the Group launched its five-year environmental strategy, which established our ambition to generate zero carbon and zero waste from our operations. In November, we launched Wates Energy Services, offering zero-carbon retrofitting services to customers in the social housing sector. As our 'Streamlined energy carbon report' (on page 56) suggests, 81% of all our electricity now comes from renewable sources.

Diversity and inclusion

In 2019 our diversity and inclusion strategy signalled our intention to lead the industry in making our sector fairer and more representative of society. During 2020, we began implementing it.

In March we announced industry-leading family leave policies. In July, having reflected on the social crisis that followed George Floyd's death, we initiated our anti-racism plan, which expresses our commitment to make Wates an actively and consistently anti-racist organisation and our zero-tolerance approach to racist behaviour of any sort. The plan established listening groups, reciprocal mentoring arrangements and race and ethnicity employee networks. In October, we celebrated our first ever 'Inclusion Month' with a wide range of activities and learning opportunities for everyone in the business.

Collectively, these activities revealed some uncomfortable truths about the way our society and parts of our industry operate. They encouraged many of my colleagues and me to learn much more about racism. We will continue our journey to become a truly inclusive, increasingly diverse and actively anti-racist organisation in 2021, becoming a better, more effective business with each step we take.

Sailing in a storm that isn't over

Over the last 12 months, Wates has adapted to new ways of working, restructured our business to ensure its long-term sustainability and became a leaner, fitter organisation. We improved productivity and implemented flexible working patterns that might otherwise have taken a decade to introduce. We took radical steps to be more inclusive and diverse and we have generated more social value in the communities we serve than ever before.

The Group weathered the storm of 2020 brilliantly and we begin 2021 confident that we can prosper, despite the difficulties with which the UK started the year, and thrive as never before once those difficulties are behind us.

David Allen
Chief Executive

¹ See p.3 for health and safety performance metrics

² Construction Enquirer – Top 100 Contractors: Year to December (ranked by total value of work won in rolling 12 months)

COVID-19 and the Group's response

Wates began 2020 in a position of financial strength, with an industry-leading safety record and a clear, shared commitment to making our business more sustainable, trusted and progressive. When the COVID-19 pandemic began to affect daily life and the operations of the business in ways that had previously been unimaginable, Wates acted swiftly and effectively to safeguard its people, protect its customers and ensure the continuity and long-term sustainability of the business. It succeeded because of the resilience, determination, ingenuity and adaptability of its incredible team.

The gathering storm

In the second half of March 2020, the growing sense that the coronavirus crisis would be problematic was replaced by something much more immediate and challenging.

As other European countries implemented lockdowns, it was unclear what restrictions would be implemented in the UK, how long they might last or how they would eventually be relaxed. The extent, nature and duration of the likely economic damage were equally unclear. In this uncertain context, carefully developed plans were re-set and the business' focus turned to survival, with staff safety, operational continuity, cash management and cost control as the immediate priorities. Sites and contracts kept working safely but were asked to prepare for a potential pause in operations.

Across the Group, teams came together, supporting each other through a period of intense personal and professional pressure.

Meeting virtually and much more frequently than normal, the Board and the Executive Committee worked to mitigate the new risks facing the business and to maintain alignment across the Group as the business adapted to changing government guidance and regulations. In the early stages of the pandemic, the Board convened outside of the regular meeting schedule on 14 occasions and the Executive Committee met on 20 additional occasions.

In March, the Group created a Crisis Management Team, which met on at least a weekly basis to ensure that information and advice was being shared across the business, and to monitor the number of staff affected by the virus (data that was recorded in a new self-isolation reporting system).

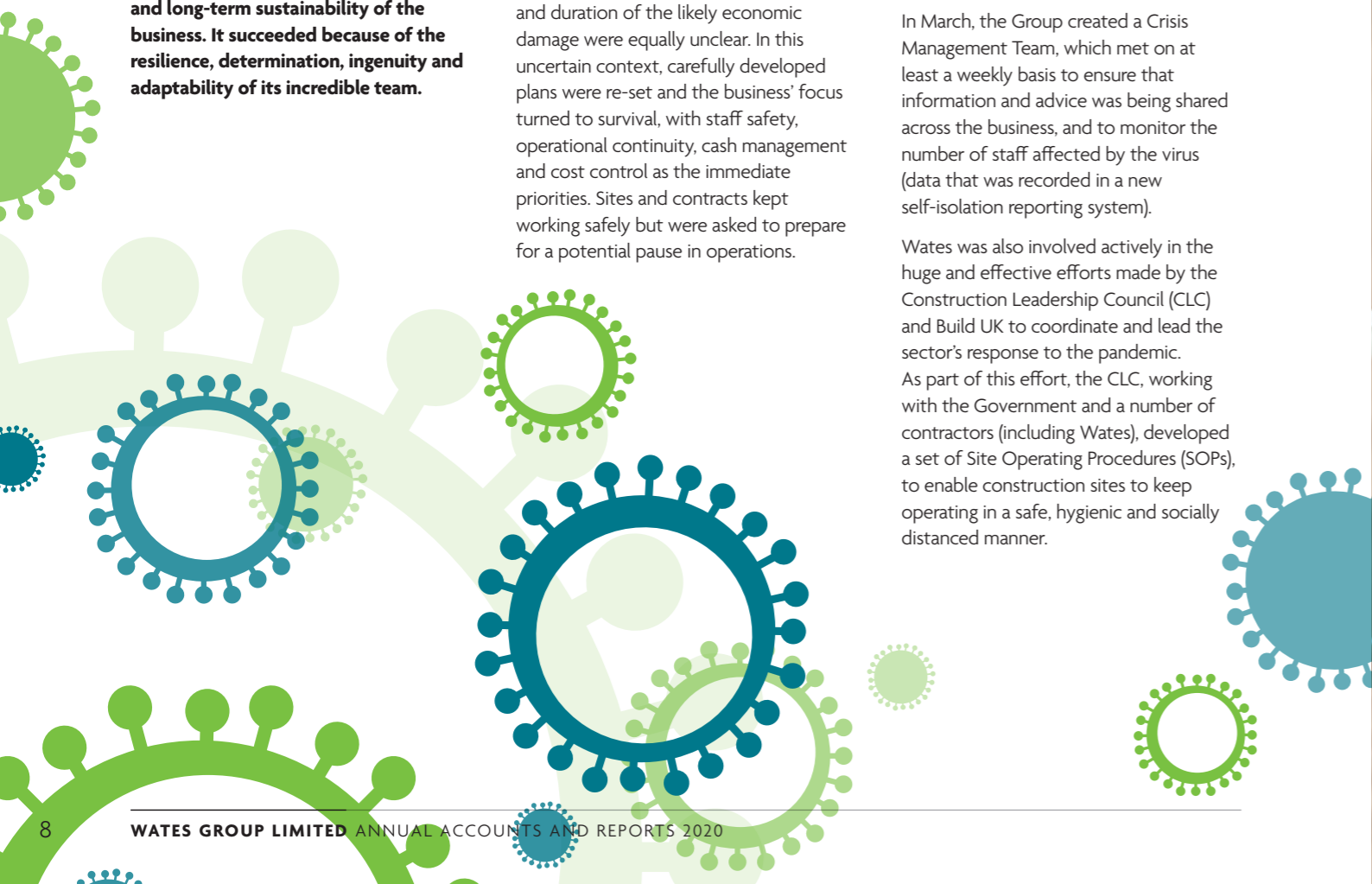
Wates was also involved actively in the huge and effective efforts made by the Construction Leadership Council (CLC) and Build UK to coordinate and lead the sector's response to the pandemic. As part of this effort, the CLC, working with the Government and a number of contractors (including Wates), developed a set of Site Operating Procedures (SOPs), to enable construction sites to keep operating in a safe, hygienic and socially distanced manner.

Empowering local teams

On 23 March, the Prime Minister ordered people to stay in their homes to slow the rate of infection. In response, Wates shut all its non-site offices and paused site and contract operations for 48 hours.

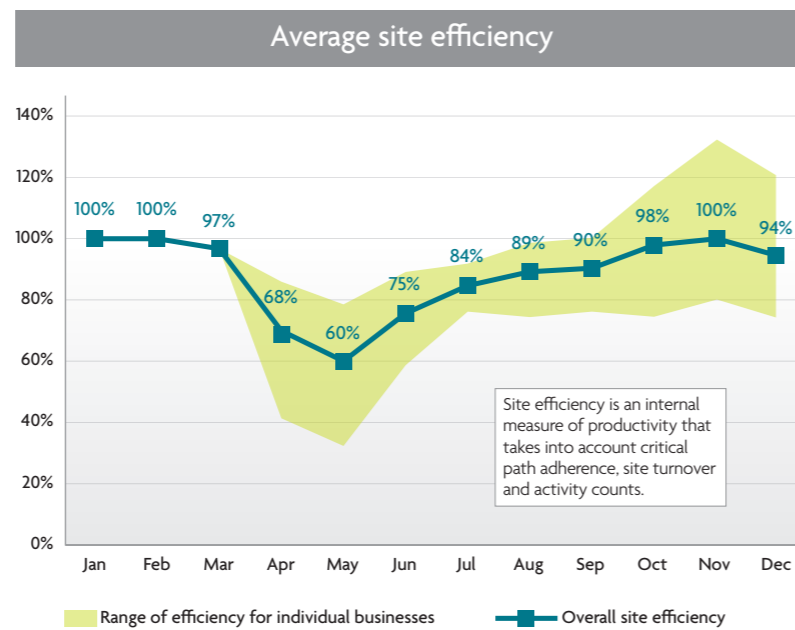
Each Wates team was asked to decide whether their site or contract could reopen safely after the 48-hour pause and to share with their business unit leadership teams the plans they had developed with their supply chain partners for implementing the SOPs (and, for sites in London, avoiding travelling on the Tube). Teams were told that the executive team would support them fully if they decided not to reopen. Every team in the Group chose to keep working.

Doing so was not easy. Despite clear government advice that the construction sector should continue working, there was significant pressure from the public, the media and from some politicians to shut the sites. Living Space colleagues protected and reassured residents whose homes needed emergency repairs. Across the Group, teams came together, supporting each other through a period of intense personal and professional pressure.



Establishing safe, COVID-secure productivity

As teams adjusted to and refined the new ways of working, productivity fell at the end of March and in April before beginning a steady recovery to pre-lockdown levels in the final months of the year. With fewer operatives on site and some traditionally site-based roles being performed largely at home, the focus on planning daily activities was more intense than ever. Excitingly, the Group's performance in 2020 suggests that even higher levels of productivity can be achieved once restrictions are eased.



Looking after our customers

The trust between the Group and its customers has been strengthened by the extraordinary success of our teams in keeping projects and services going safely. As many customers have acknowledged, Wates stood shoulder to shoulder with them from the start of the crisis, treating the restrictions as an issue that

needed to be resolved together; collaborating in the service of maintaining safe and efficient productivity; successfully minimising lost time and cost increases. Needspace? gave its customers discounts to maintain occupancy, rather than insist on collecting licence fees in full from every customer.

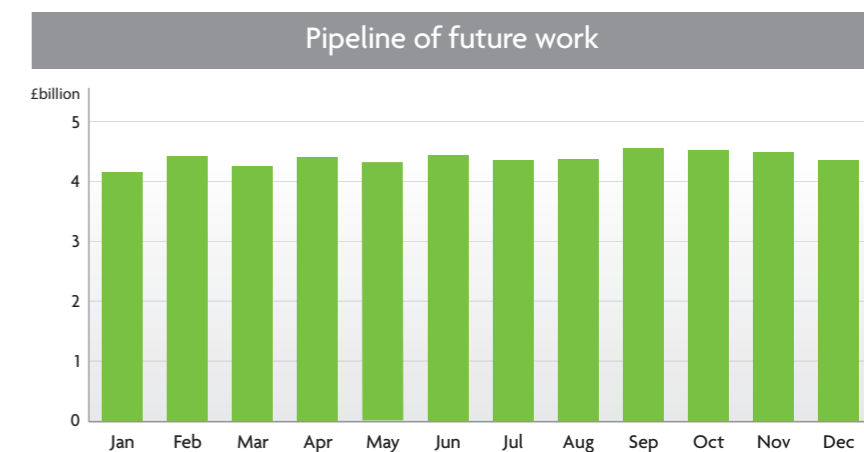
The Royal London Hospital

Wates was proud to support the nation's response to the pandemic by creating three new Intensive Care Unit wards with total of 176 new beds on two unused floors at The Royal London Hospital. The project was completed in just five weeks by a team of up to 600 people working 24 hours a day in two 12-hour shifts (see full case study on p.20).



Securing the Group's future

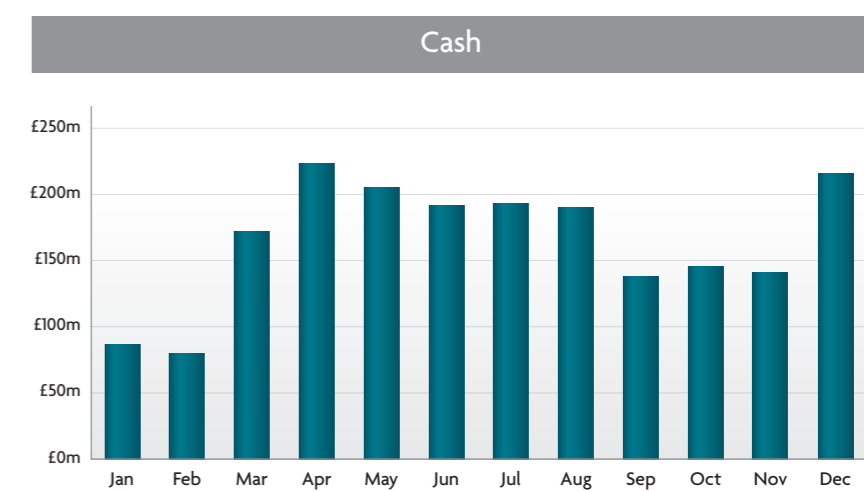
The close relationships the Group developed with its customers during the pandemic bore fruit in an exceptionally strong work-winning performance. £2.4bn of new work was secured during 2020, leaving the Group with a £4.4bn pipeline of future work.



Building even greater financial resilience

The Group has maintained high levels of cash and financial resilience throughout the pandemic and ended the year with £215.9m of cash (and net cash of £161.6m). The average daily cash balance for 2020 was £166.9m.

In March, the business drew the balance of its Revolving Credit Facility (RCF) on a precautionary basis. The entire £120m of this RCF was repaid by the end of October. It remained available but undrawn at 31 December. At the end of October, the Group accessed £50m of Coronavirus Large Business Interruption Loan Scheme (CLBILS) funding from its existing lenders. This loan will be repaid in full by October 2023.



Working from home: a step change in flexible working

In late March, colleagues who were not based on site were asked to work from home. The significant investments the Group has made in technology over the last few years and the professionalism of its IT team enabled everyone to transition to home working without missing a beat.

Guidance and support were provided to help colleagues work from home effectively whilst looking after their mental health and wellbeing. A 'Working from Home' grant was provided to help colleagues cover the cost of essential home working equipment, such as desks, chairs or lamps. To date, £40K has been claimed.



Making difficult decisions fairly and with care

As the first lockdown reduced activity levels across the Group, colleagues who were not directly involved in the effort to keep projects and services operating safely for our customers were furloughed using the Government's Coronavirus Job Retention Scheme (CJRS).

The pay of all furloughed staff was topped up by the business to a minimum 70% of their full salary. At its peak in mid-April, there were 1,354 employees on furlough. Roles were reviewed on a weekly basis. By October, everyone was back. In total, the Group received £7.7m of funding from the CJRS.

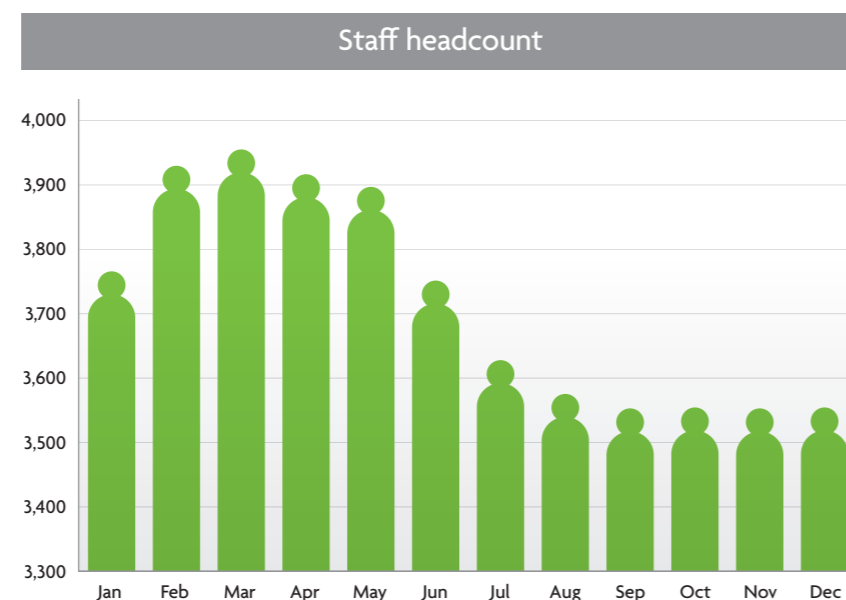
The Group also implemented pay cuts from 1 April to 30 June for all except the most junior staff and those based on site. The reductions varied according to pay grade, with the biggest reductions (of 35%) being applied to the directors' pay.

Despite these steps (which were supplemented by a recruitment freeze and the cessation of all non-critical spend), it was clear that revenues in 2020 and 2021 would be lower as a result of the pandemic and that, to continue to

operate efficiently and to offer best value to all its customers, the Group needed to reduce its cost base, primarily by scaling down the team.

On 20 May, the Group announced the start of a consultation process through which 268 colleagues would ultimately leave the business by the end of October.

Approximately 800 staff were put at risk and the number of agency contractors engaged by the Group was reduced by more than 200. Wates was the first major construction and property business to implement a crisis-related redundancy programme.



Working flexibly

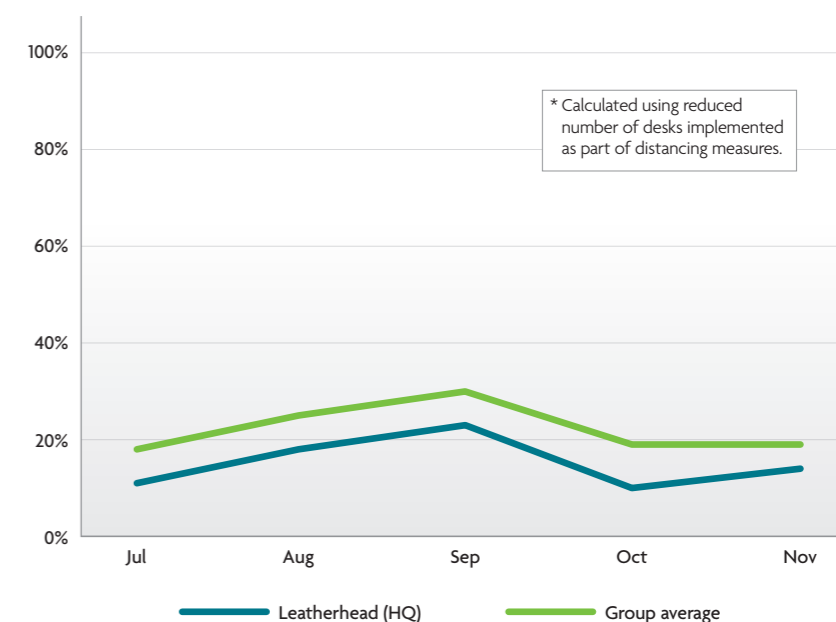
As restrictions eased in the summer, non-site offices opened on a COVID-secure basis. The return to non-site offices was characterised by one-way systems, hand sanitiser stations, reduced use of communal spaces, restricted numbers of socially distanced desks, temperature checks and a requirement to book attendance in advance so that numbers could be controlled. Employees were invited to decide on a daily basis whether they wanted to work at home or in the office.

A staff survey in August indicated that most colleagues would like their jobs to contain a mix of home and site or office-based work in the future. This preference has informed the development of the Group's new flexible working policy, which is intended to support Wates' effort to create a more inclusive culture.

As the number of COVID-19 cases once again started to rise, the Government implemented a tiering system. The Group's non-site offices that were situated within the highest tier were closed, with the rest shutting once again when a lockdown was announced at the start of 2021.



Average occupancy (attendance at office vs desk availability*)



COVID-19 TIMELINE



Communicate, communicate, communicate

In a period of real uncertainty and stress, the Group maintained a constant drumbeat of communication with all its stakeholders. Employees were kept up to date through a 'Coronavirus Bulletin', which initially was issued every other day (and then weekly during the second half of 2020). The bulletin informed employees about changes to regulations and how the business was adapting to comply with them. It highlighted topics such as volunteering whilst on furlough, mental health and wellbeing, and included links to the latest updates, videos and guidance on the Group's dedicated 'coronavirus hub', which had been set up on the Group's intranet.

Saying thank you

In July, the Group reinstated full pay for all non-furloughed employees. In October, in recognition of their remarkable efforts during the crisis, all employees were given an additional day of leave to say thank you. By December, the Board was sufficiently confident about the Group's performance and prospects to announce it would reimburse in February 2021 the pay cuts that had been applied to all employees who had not been furloughed and were still employed by the business.

2021 and beyond

During 2020, the Group learned how to adapt successfully to the restrictions and risks created by the coronavirus. With disruptions likely to continue for a substantial part of 2021, these adaptations are being refined constantly. Site teams are now making use of local authority testing programmes. Face coverings are being worn in most workplace settings. The Group is providing face coverings for use when commuting. At the time of writing, over 20 million across the UK have been vaccinated against COVID-19 and

lockdown restrictions are being lifted. Schools are reopening and some people are returning to their workplaces.

However long the restrictions last, the courage, skill, compassion, perseverance and willingness to change demonstrated by the entire Wates team in 2020 will enable the business to emerge from the crisis a better, more trusted, more sustainable and more progressive organisation than before.



People



Now, more than ever, there is no more valuable resource at Wates than its people.

A unique challenge

The coronavirus pandemic has affected every part of the business profoundly.

The Group is incredibly proud of the work our teams have done to mitigate the impact of the virus on the people and communities it works with and for. Although the pandemic was, naturally, the primary focus for much of 2020, the business remains passionately committed to achieving its long-term goal of being a more inclusive and diverse organisation.

Coronavirus response

On 2 April, just 10 days after the UK went into lockdown, the Group used the Government's Coronavirus Job Retention Scheme to furlough a substantial number of colleagues. At the same time, a programme of temporary salary reductions for all but the most junior staff and those working on our sites and contracts was implemented. In late May, the Group announced a redundancy process that resulted in the departure of 268 colleagues.

None of these decisions were easy. They were taken to ensure the long-term success and prosperity of the business. Colleagues right across the Group made difficult personal sacrifices to help the business remain resilient through the crisis.

Inclusion and diversity

The coronavirus crisis has done nothing to dampen Wates' passion and determination to become a truly inclusive and diverse workplace. There is a long way to go, but during 2020 the business made important improvements in its processes and culture.

200 managers took part in the pilot of our digital 'iLead' inclusive leadership programme.

In October, the business celebrated its first 'Inclusion Month'. This involved online development activities and masterclasses aimed at raising awareness of diversity and inclusion issues both within Wates and beyond.

Wates is committed to being actively and consistently anti-racist. To start turning this commitment into action, the Group has a comprehensive anti-racism plan. It includes the introduction of listening groups, a reciprocal mentoring programme, and an employee network focusing on race and ethnicity. The Group has also established partnerships with a number of external diversity and inclusion groups.

Wates aims to become a place where no one must decide between caring for their family and developing their career. To that end, an updated suite of family-friendly policies was launched at the start of 2020. This includes industry-leading initiatives such as offering eight weeks' paternity/partner leave, equal shared parental leave, and enhanced bereavement and career leave provisions.

Learning and development

Despite the pandemic, the Group has maintained its commitment to the learning and development of its people.

At the start of the crisis, all but the most essential training was paused, with critical Health and Safety training being delivered online.

Since then, a broad range of virtual learning programmes has been developed as it remains difficult to deliver face-to-face training safely.

These included the online delivery of the Group's Drive the Change! and Lead the Change! Health and Safety programmes.

The launch of the online 'iLearn' portal allowed employees to access a wide range of bite-sized courses, providing accessible learning for everyone, even at the height of lockdown.

Inevitably, the number of training days provided in 2020 was affected by the pandemic. The furloughing programme, combined with a shift in focus to business critical training, meant that matching 2019's performance of c. 6,750 training days and c. 20,000 e-learning outcomes was unachievable. Nevertheless, c.3,000 training days and a further c.6,000 e-learning outcomes were delivered in the most difficult of circumstances.

Careers

Wates has always maintained a strong commitment to its apprenticeship and trainee programmes. That commitment was more important than ever in 2020.

Trainees, whether still working or furloughed, were helped to continue progressing towards their qualifications during lockdown whilst colleges and universities adjusted to virtual delivery.

There are currently 85 trainees in the business, a quarter of whom are women. A further 42 trainees were promoted off the scheme during the year. Although the 2020 intake for September was deferred, 42 new trainees started in January 2021, of which half were women. Wates is recruiting another 27 trainees for its September 2021 intake.

Wates is a committed member of the 5% Club, an alliance of companies aiming to bring young people into the workforce by pledging that a minimum of 5% of employees should be participating in a formal apprenticeship or graduate training programme. With c.250 trainees or apprentices, the Group is on track to exceed this commitment in the coming years.

Recruitment activity inevitably reduced in 2020, reflecting market conditions. New opportunities are starting to emerge, with the Group currently working on filling around 200 vacancies. Wates is also a registered participant in the new Talent Retention Scheme, set up by the Construction Leadership Council to

support the attraction, development and retention within the sector of talented people.

As with the ongoing training of current employees, diversity and inclusion is central to our hiring policies. With this in mind, a six-month programme has been piloted in the construction business that will see it adopt balanced candidate pools, anonymised CVs and a managed referral process. The pilot started in October 2020.

...new opportunities are starting to emerge. The Group is currently working to fill approximately 200 vacancies.



Wates Construction

Wates Construction is a national business working with a wide range of customers, across the public and private sectors. The business is a partner on 65% of the UK's leading central and local government frameworks. These include national frameworks for the Crown Commercial Services, the Department for Education (DfE), Homes England, the Ministry of Justice, the Ministry of Defence and Scape Procure, for which it has completed major projects such as the carbon-neutral Braywick Leisure Centre in Maidenhead and Nottingham College's new landmark City Hub campus.

The business has an established presence in the residential sector, notably high-density city housing, student accommodation and senior living. It is a recognised leader in the design and construction of schools, colleges and universities, and has a growing presence in the construction of health, science and technology facilities.

Coronavirus and a 'productivity revolution'

The unprecedented challenge of COVID-19 proved a defining moment for Wates Construction, accelerating a process of change which had been underway for some time. This process has been based on improvements in efficiency and productivity, embracing digital technology and offsite manufacturing, and continuing to pursue new and better ways of working.

Wates was one of the few major contractors to keep its sites open throughout the lockdown, pausing only briefly for site teams to implement the government-approved Site Operating Procedures, which included social distancing and enhanced safety and hygiene measures. By maintaining close dialogues with our customers and supply chain, the business continued working on all but two of its projects. Every site was operational by the autumn. Better use of workplace technology and digital conferencing platforms, holding briefings and inductions outside and adjusting shifts to make it easier to implement distancing consistently, meant that productivity levels held at around 75% throughout the crisis, rising to almost 98% by the end of the year.

Work winning and new sectors

Wates Construction won new contracts with an aggregate value of more than £500m during the months of the pandemic. This included five schools under the new £3bn DfE Offsite Framework (MMCI). One of the highlights of 2020 was the project to extend The Royal London Hospital to provide 176 Intensive Care Unit beds for COVID-19 patients.

In what would turn out to be a proof of concept like no other, undertaken in the most pressured of situations, the Group mobilised its offsite manufacturing facility, Prism; its M&E specialist SES Engineering Services (SES); as well as Wates Building Services (WBS). Everyone worked together as one team to deliver an essential primary health project in record time at a moment of real need. The lessons learned will be instrumental in shaping the future of the business.



Restructuring

July saw series of organisational changes, which included the creation of Wates Integrated Construction Services (WICS), bringing SES, WBS, Wates Drylining Services and Prism under one umbrella. Whilst each business will retain its unique capabilities and brand, WICS will make it easier to share resources efficiently and to share expertise, improving operational effectiveness and speeding up the adoption of modern methods of construction.

Recent projects such as Lillie Square and 7/8 Wellington Place have shown how offsite manufacturing can improve productivity, performance, quality and customer satisfaction.



Looking ahead

In 2021, Wates Construction will focus on exploiting the potential of WICS to drive innovation, efficiency and increased use of offsite manufacturing. It will continue to focus on meeting needs of its private sector customers whilst maintaining high levels of performance on its strategic public sector frameworks, and increasing its presence in the health sector. It will achieve this by, amongst other things, encouraging an inclusive environment to help attract and build a diverse workforce of complementary talents and expertise.

"This year has been as challenging as any of us can remember. I am immensely proud of the way our colleagues have both individually and collectively navigated the coronavirus crisis. Their hard work has allowed us not only to continue to deliver an outstanding service for our customers, but also to build our pipeline for the future. We have improved our productivity by embracing new ways of working, making even better use of real-time data, technology and offsite manufacturing. Our strategy for growth over the next five years will enable us to achieve a productivity revolution, maximise the potential of our fantastic people and collaborate in new ways with all our partners.

It is a great testament to everyone at Wates and the work they have done over the past 12 months that we are able to look to the future with such confidence."

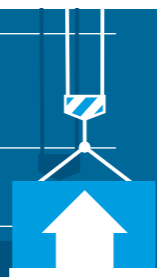
Paul Chandler, Executive MD, Wates Construction Group

23 projects completed under COVID-19 Site Operating Procedures

Productivity rising to **98%** by Dec

>£500m new contracts secured during pandemic

176-bed ICU facility completed in **five weeks**



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

HEALTHCARE CASE STUDY:

The Royal London Hospital extension *'delivering the impossible'*

The mission to convert two floors of a live hospital into fully functioning wards in five weeks seemed implausible. To do it in the midst of a national health crisis felt almost impossible.

Site conditions at The Royal London Hospital were extremely difficult. Access for a total of 700 workers and materials was via just two lifts, with two-metre grids laid out across the site floor to maintain social distancing. Ever-evolving knowledge of the coronavirus meant hospital requirements changed daily. In the final 36 hours of the project, 12 renal beds were requested – meaning installation of pipework, tanks and drainage. The project's extraordinary

success was based on smart logistics and an innovative, circular communication structure, involving all parties with minimal hierarchy. Day-one engagement set the tone and six-hourly design meetings, day and night, allowed everyone to support each other. Completed 13 days ahead of schedule, under extreme pressures, this project will leave a legacy long after this crisis is over.

- Customer: Barts Health NHS Trust
- 12 key supply chain partners
- Offsite manufacturing
- Restricted access requiring innovative logistics solutions

"Our patients live in one of the most highly deprived, densely-urbanised and hyper-diverse parts of the country, with the highest rates of COVID-19. They deserve the best critical care services the NHS can provide. These new wards will be used for many years to come, both during this pandemic and to meet other health needs of our local population."

Alwen Williams,
Barts Health NHS Trust CEO



"This new facility is going to save lives, it's as simple as that. I've been so impressed and inspired by the hard work from the brilliant team that have made this possible. You truly are the best for London"

Sadiq Khan, Mayor of London



Duration: **33 days**

24/7 working

64,800 hours worked

176 bed stations created

EDUCATION CASE STUDY:

Stowmarket High School

Delivered as part of a batch of schools within the Priority Schools Building Programme 2, Stowmarket is a £16.9m new-build, three-storey high school in Stowmarket, Suffolk. When complete, it will accommodate 1,125 pupils, including 150 Sixth Formers.

This project adopted Wates' standardised Adapt model, which reduced time on site, improved quality and reduced defects. The project incorporated dining and kitchen facilities, a main hall, drama studio, activity hall and Special Educational Needs facilities. The new school, which is based on the footprint of the former 1950s building, also provides extensive sports facilities, which will be available for use by the local community.

As well as providing careers and mentoring opportunities for people in the community, the project has established close links with local schools. During the project, nine former pupils visited the site to hear about the project from the team and to share their memories of the old school. The visitors were some of the first pupils who joined the intake of 450 pupils when the original school was opened in 1956.

- Customer: Education and Skills Funding Agency (now ESA)
- £16.9m value
- 1,125 pupils



RESIDENTIAL CASE STUDY:

Lillie Square development



Part of the Earl's Court regeneration, these new-build apartments and penthouses used Wates' offsite manufacturing facility, Prism, to manufacture all service risers and service cupboards, guaranteeing a high quality of product, and 3D sequencing to improve our control of the programme.

Close collaboration with the customer's project team also added an early works contract for subsequent phases, whilst a thorough design investigation during the pre-construction services agreement period resulted in the fan cooling units being redesigned, avoiding delays on site. The use of 3D sequencing for the build process resulted in a more seamless installation of the various prefabricated elements within the apartments.

- 10,000 hours of work taken offsite
- Just three days to install risers



SCAPE FRAMEWORK



As an important strategic partner to Wates, the Scape public sector framework is designed to embed efficiency and social value into construction projects. Wates has been a delivery partner on the framework for four years, supported by an extensive local supply chain. Each project is managed to ensure delivery to an industry-leading standard with a focus on supporting the local economy. To date, Wates has completed 56 feasibilities, has £310m amount of projects either on site or completed and has spent more than £0.9m with social enterprises.

“The Scape framework is a world-class public sector procurement hub. It has become a strong driver of growth for our business. The collaborative and dynamic way in which the framework operates fits perfectly with our Guiding Framework. Being part of Scape has made us a better business.”

Steve Beechey,
Group Public Sector Director

SCAPE CASE STUDY:

Teesside University (student accommodation)

Through the Scape Venture framework, which focuses on supporting public/private partnerships and charitable organisations, Wates carried out feasibility works for urgently needed accommodation for 300 students at Teesside University for September 2020.

The resulting development, Cornell Quarter, is one of the largest schemes procured under the Scape Venture framework to date and only took 24 weeks from initial inception (with a feasibility assessment) to work starting on site.

- 95% SMEs (Small and Medium Enterprises) engaged
- Seven National Vocational Qualifications (NVQs) delivered
- 100% cardboard and plastic recycled
- 46/50 Considerate Constructors Scheme (CCS) score
- 98% of waste diverted from landfill

“The Cornell Quarter Project illustrates perfectly the benefits of the Scape Venture framework. By bringing together the very best of public and private procurement expertise, the student accommodation and facilities will be delivered with efficiency and value for money, whilst being rigorously performance managed throughout.”

Mark Robinson,
Chief Executive, Scape Group

24 weeks from feasibility inception to starting on site

£55.8k spent with social enterprises

92% local spend

87% local labour

20 new jobs created



SCAPE CASE STUDY:

Braywick Leisure Centre (leisure)



“Braywick Leisure Centre offers a once in a lifetime opportunity to provide residents in Maidenhead with a state-of-the-art hub for sport, the arts and a wide range of cultural events.”

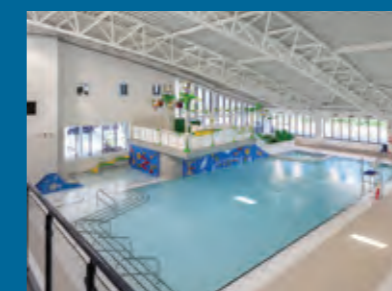
Samantha Rayner,
Cabinet Member for Culture and Communities, Royal Borough of Windsor & Maidenhead

Braywick is a major new leisure centre for Maidenhead, with the local community at the heart of its design.

Delivered in 94 weeks with a contract value of £32m, the centre has a total area of 9,700m², incorporating a 10-lane, 25m swimming pool; four squash courts; an eight-court main sports hall; fitness studio; health spa and cultural hall, as well as a host of other facilities. Braywick will be 70% more efficient than the previous sporting hub, the Magnet Centre, and is a carbon-neutral project that showcases Wates' commitment to sustainable construction.

Social value generated:

- 75% of workforce employed locally
- £13.9m spent with local SMEs
- £60,180 donated to local charities
- 100 trees planted, offsetting 250 tonnes of carbon dioxide



SCAPE CASE STUDY:

Nottingham City Hub (higher education)

Nottingham College campus opened in January 2021, providing 2,000 student places in a state-of-the-art teaching space. The £58.5m project, which started on site in 2018, is the first to be completed by Wates through the Major Works UK framework, and is the result of a partnership between the college, the council, and the local enterprise partnership (LEP). It forms part of the council's economic regeneration of the city's Broadmarsh area.

Social value generated:

- 10 social enterprises engaged
- 80% local spend
- 87% local labour
- 143 new jobs created
- 6 HNC/degree qualifications
- 24 NVQs attained
- 98% of waste diverted from landfill



“The building is spectacular both inside and out and I know that staff and students can't wait to start using it. This is a major investment in education and skills in Nottingham by the college, the local enterprise partnership and the city council. These state-of-the-art teaching facilities will inspire generations of students and equip them with the skills and knowledge they need to meet the needs of local, national and international employers, helping them and their city to thrive.”

Carole Thorogood,
Chair of Governors at Nottingham College

SES Engineering Services

SES Engineering Services (SES) is a design-led mechanical and electrical engineering (M&E) provider, delivering bespoke solutions for a wide range of projects across the construction industry. SES is a leader in the use of offsite manufacturing techniques, making extensive, valuable use of its offsite production facility, Prism, in Coventry.

During 2020, SES has been focused primarily on protecting the business and building resilience for the future. In March, several projects were cancelled or delayed, which reduced turnover. In response, SES trimmed its overheads, reduced its operating costs and de-risked its strategy.

In July 2020, Steve Joyce was appointed as Managing Director and his first priority was dealing with the coronavirus



pandemic and ensuring that projects could be progressed in a safe and sustainable way. In the second half of the year, some of that focus shifted to driving the business into emerging sectors, concentrating on quality of earnings whilst working with existing and new customers, and maintaining SES' reputation as one of the UK's leading specialist contractors.

SES has continued its pursuit of technological innovation to revolutionise design and drive improved installation and operational performance for all its customers.

Performance highlights and industry awards

Despite the challenges faced this year, SES has already secured £100m of work for 2021 and preferred bidder status on a further £150m. Meanwhile, the business has continued to deliver innovative projects for existing customers. During the year, SES was proud to have been involved in the design and build of COVID-19 wards at The Royal London Hospital and supported in the construction of the Nightingale Hospital North East in Sunderland.

Twelve major projects were completed and handed over to customers despite pandemic restrictions.

SES continued its industry-leading health and safety performance, meeting challenging Zero Harm targets. In the first year of entering, SES won four Royal Society for the Prevention of Accidents

(RoSPA) Awards, including Gold awards for London and the South East, and also for the Midlands, and South West.

The year was crowned by winning Contractor of the Year at the North Insider Property Awards, with SES becoming the first M&E company to win in the awards' history.

"I'm proud of the SES team's performance through these uncertain times. Despite the challenges of 2020, we have built a strong business, which is working towards building its capability and capacity in new, emerging markets. With the appointment of Steve Joyce to the position of Managing Director, after his many years of experience in the business, we can look forward to the future with confidence, not only increasing the amount of work we do on technically complex projects, for which SES is rightly renowned, but doing so safely and in an inclusive environment."

Paul Chandler,
Executive Managing Director,
Wates Construction Group.

CASE STUDY:

Newcastle District Energy Centre

The Newcastle District Energy Centre is part of a ground-breaking joint venture between Newcastle City Council and ENGIE – a 40-year partnership to tackle climate change in Newcastle Upon Tyne by implementing new and innovative energy solutions across the city. SES was appointed by ENGIE as main contractor to design and install complex mechanical, electrical and plumbing (MEP) solutions at the energy centre.

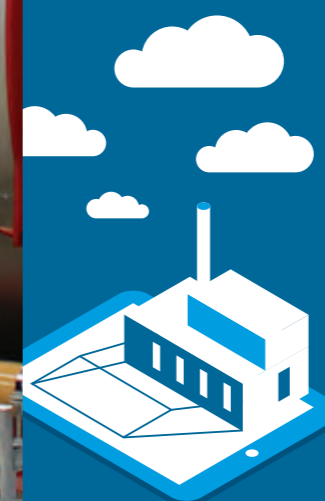
Located on Newcastle Helix, a 24-acre sustainable development in the heart of the city centre, the £10m energy centre has been designed to deliver heating, cooling and electricity through a distribution network to 10 buildings and approximately 500 homes planned on the site. It will provide carbon emission savings of 30,650 tonnes over 40 years, or 766 tonnes per year. The energy centre is a key component of the city's energy masterplan and will be a significant contributor to achieving Newcastle City Council's green ambitions, including its target of net zero carbon emissions by 2030.

The energy centre is a technically complex project and a superb example of how SES can create value for multiple stakeholders. Key factors in the successful delivery of the scheme included: SES' early appointment; the collaborative approach of all stakeholders; and the use of BIM (Building Information Modelling). The technology and plant that have been installed will provide reliable and sustainable water cooling and energy generation.

Using BIM and adopting an offsite approach ensured that SES was able accurately to predict both labour costs and time-savings for the complex services installation, and to reduce on-site labour activities by 70%. The project won the infrastructure category at the prestigious Royal Institution of Chartered Surveyors Social Impact North East Awards. Lessons learned from this project will be implemented on all SES' future energy schemes.

"The amazing RICS award win not only recognises the built environment's positive contribution to society, but also recognises a collaborative approach from our partners to helping meet Newcastle's net zero carbon ambition."

Lee Francis,
Regional Managing Director at ENGIE



732m² energy centre

10MW of heating and
5MW of cooling provided

30,650 tonnes of carbon
emission savings over 40 years

Winner of the infrastructure
category at the RICS Social Impact
North East Awards 2020

Wates Property Services



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

Wates Property Services (WPS) is a leader in the delivery of planned and responsive housing repairs for public sector landlords and housing associations, as well as in the fit-out, refurbishment and management of commercial and business properties across the UK.

The business, which employs around 1,500 property services professionals, comprises three specialist business units: Wates Living Space, Wates FM (Facilities Management) and, since September 2020, Wates Smartspace.

Social housing maintenance

Wates Living Space (WLS) is one of the UK's leading providers of planned and responsive maintenance services in social housing, maintaining over 500,000 homes every year. It provides a broad range of services, supporting the regeneration of disadvantaged communities and improving living standards for residents by renewing existing housing stock.

Facilities management

Wates FM has established itself as a key partner in the UK facilities management (FM) sector, providing self-delivered mechanical, electrical and total FM services to an impressive customer list across the public and private sectors. During 2020, the team retained 100% of its customers and achieved an exemplary, incident-free health and safety performance.



1,500 property services professionals

Maintained **>500,000** homes

176 new colleagues transferred under TUPE

Retained **100%** of FM customers

Zero accidents for three years in Wates FM

Smartspace project values ranging from **£20k to £25m**

200 tower blocks in WLS fire safety and cladding portfolio



Commercial fit-out and refurbishment

Wates Smartspace is a national business, delivering high-quality fit-out, refurbishment and property upkeep projects to enhance its customers' operating environments. Key sectors include commercial offices, broadcasting, pharmaceuticals, retail, property development, banking, distribution and public sector premises, with project values ranging from £20k to £25m.

The impact of the pandemic on WPS was significant, with numerous contracts paused because of the lockdown and social-distancing restrictions, but it also helped accelerate a planned restructure, which has created a business with the potential to turn over £500m per annum. By the end of 2020, a new senior leadership team had been appointed at Wates Smartspace, led by new Managing Director, Scott Camp, who was promoted to replace Helen Bunch, who moved across to lead the Wates Residential business.

“After a great performance across Wates Property Services in 2019, 2020 has thrown up considerable challenges for everyone in the business. From those challenges have come some great, lasting positives.

We maintained excellent levels of customer satisfaction as a result of continuing to deliver quality services against the backdrop of uncertainty and concern caused by COVID-19.

The impact of the pandemic was felt particularly hard in WPS because much of our work is carried out in offices and people's homes. I am immensely proud of how our teams have handled the pressure.

2020 may not have been the year many of us had hoped for, but we ended it on a high and look forward to 2021, during which we will build on the strength and resilience our teams have shown to push the business forward.”

David Morgan,
Executive Managing Director,
Wates Property Services



Wates Living Space

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

Wates Living Space (WLS) is one of the UK's leading providers of planned and responsive maintenance services in social housing, maintaining around 500,000 homes every year.

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

Following an impressive 2019 performance, 2020 began well, signing a 10-year contract

extension with Tamworth Borough Council and adding new high-rise schemes into the contract with the Guinness Partnership. This brings the Wates fire safety and cladding portfolio to over 200 tower block projects nationwide.

Despite the challenges presented by COVID-19, the business continued to perform well, with the mobilisation of multi-year maintenance contracts worth £350m with Barnsley, Crawley and Lancashire Borough Councils, and Stonewater Housing Association. All WLS work was performed whilst adhering meticulously to social-distancing requirements.

The challenge of COVID-19

The onset of the pandemic not only impacted the business, but also its customers and the many thousands of tenants whose homes WLS is privileged to look after. The business focused on ensuring services were maintained in a COVID-secure way, and stringent new safety and hygiene measures were implemented for operatives and residents. WLS worked with its customers to keep



social housing tenants informed and reassured about how operatives would operate within their homes and follow government safety guidelines. As part of this effort, the business produced a video for local authority partners to use when communicating with tenants.

Compliance with social distancing made the mobilisation of four major maintenance contracts more complex, particularly as these involved the transfer of over 175 colleagues from previous employers. Virtual communication – rather than more traditional face-to-face methods – enabled the business to engage with all affected personnel successfully, as well as organising a new branded fleet of vans.

Throughout 2020, WLS remained focused on its commitment to providing exceptional repairs and maintenance services for housing association and local authority partners across the UK. It has expanded its offering into new markets, including government frameworks, and built on its growing expertise in fire safety and the removal and installation of cladding.



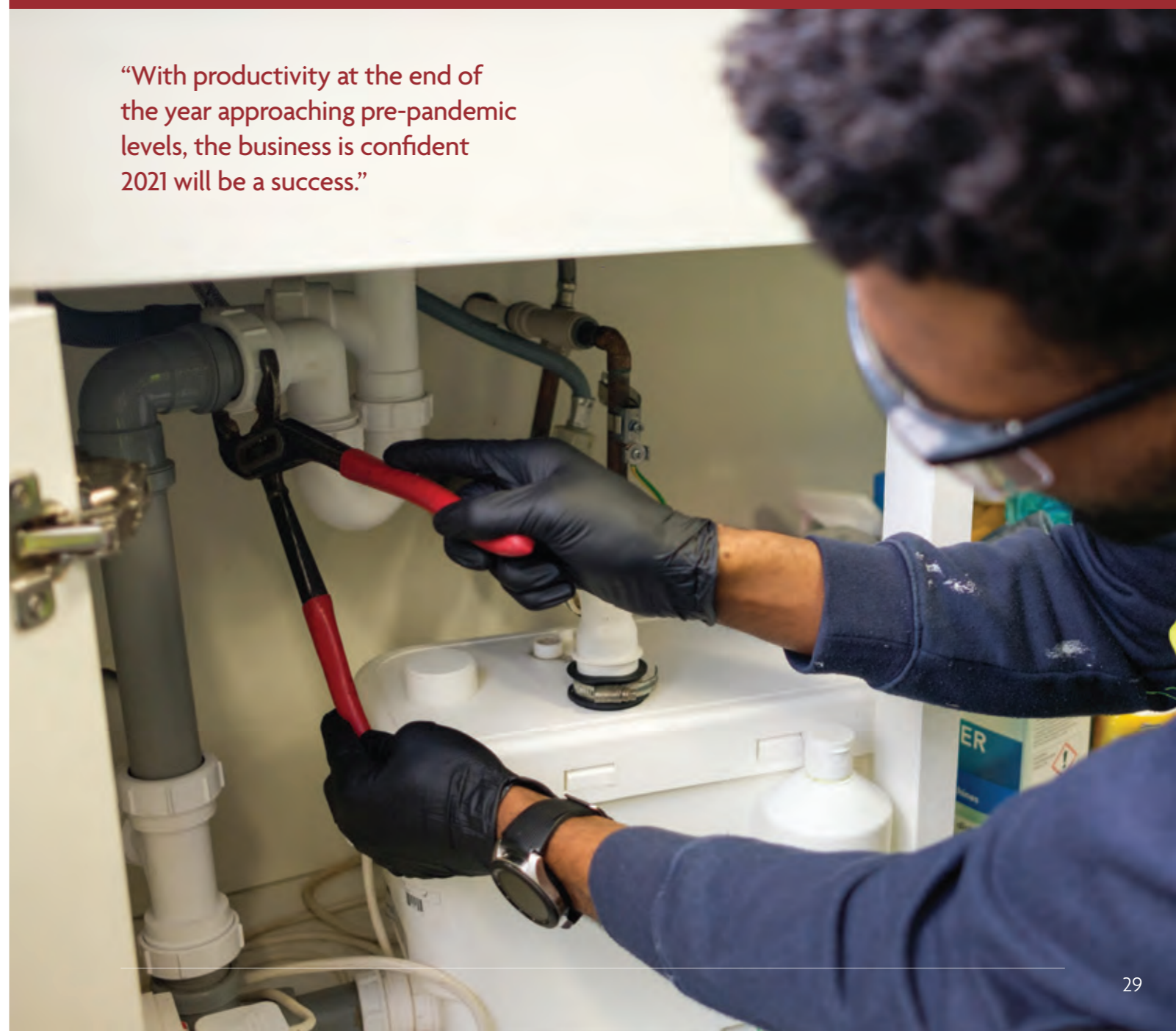
Focus for year ahead

The Group's environmental strategy, released in January 2020, committed Wates to generating zero carbon from its operations within the next five years. This is a commitment to which WLS is dedicated. A key strategic focus has been to support the housing sector in meeting its regulatory and environmental obligations. WLS is working collaboratively

with customers and supply chain and joint venture partners to ensure the UK's housing stock meets the Government's environmental target of achieving an EPC (Energy Performance Certificate) Band C by 2030. WLS will continue to provide its zero-carbon retrofit solutions to owners of existing housing stock to help them meet this commitment.

With productivity at the end of the year approaching pre-pandemic levels, the business is confident 2021 will be a success. Its strategic focus will be on delivering planned and reactive maintenance, fire safety compliance work and on supporting customers in their journey towards zero-carbon housing.

“With productivity at the end of the year approaching pre-pandemic levels, the business is confident 2021 will be a success.”



CASE STUDY:

Brent Housing Partnership



In 2014 Wates Living Space (WLS) was appointed to carry out responsive repairs and planned maintenance works across Brent Housing Partnership's portfolio of 10,000 properties. WLS was awarded the 10-year £15m per annum contract after a competitive tender process.

As part of an agreed strategy and to re-invigorate the service, WLS assigned a new delivery team to the contract, followed by a subsequent, phased replacement of key team members. The change had an immediate and positive impact on relationships, which enabled more collaborative working.

At the beginning of Year Three of the 10-year contract, WLS worked with Brent to plan the year ahead. As a result of the trust established with the customer, WLS was given full control of the programme for the next 12 months.

The delivery team adopted a 'whole-house delivery' approach, using fewer supply chain members, to generate operational efficiencies, cost savings and value for money securing volumetric discounts with the supply chain in exchange for certainty of work during the year. They then approached Wates' central procurement team to use the full buying power of the Wates Group, providing the customer with competitive, fixed material prices for the year.

- 10-year contract
- £15m per year
- 10,000 properties
- £840k in savings passed on to customer

CASE STUDY:

Crawley Borough Council mobilisation

Wates Living Space was awarded a 10-year contract to perform housing repairs for Crawley Borough Council and successfully mobilised its team in the middle of the pandemic using virtual communications to help maintain safe, effective social distancing.

The contract involves the delivery of responsive repairs, planned maintenance work and the refurbishment of void properties. An estimated 9,400 properties and 5,000 garages will be repaired over the lifetime of the contract.

Working closely with the council, the team implemented a range of innovative methods to train staff and to prepare vehicles and equipment, to enable housing repair work to take place across the borough.

This approach was replicated across WLS' housing repairs contracts with Barnsley Metropolitan Borough Council, West Lancashire Borough Council and Stonewater Housing Association, all of which faced COVID-19 related disruption.

- 10-year programme
- Maintenance of 9,400 properties
- 5,000 garages to be repaired



CASE STUDY:

Thurrock Council

Wates Living Space provides internal and external repairs, kitchen and bathroom renewals and roofing works across Thurrock Council's housing stock, as part of the authority's four-year planned maintenance framework.

In addition to the building work, WLS has used its position on the framework to have a significant, positive impact on the local community. This includes spending £6m with local small businesses and investing £10k in local charities and community causes.

Almost 1,500 hours of training and employment experience has been provided for residents, including via the Wates Group's acclaimed Building Futures programme. This enabled 13 young people from across Thurrock to participate in a two-week course to improve their employability, with practical trade taster sessions and workshops on topics such as CV writing and interview skills. Candidates were also coached and supported through examinations for CSCS (Construction Skills Certification



Scheme) cards, which it is hoped will inspire them to work in the construction sector after completing the programme.

- £24m contract
- Four-year framework

£9.5m local economic benefit generated

£6m spent with SMEs (small and medium enterprises)

£10k investment in charities

1,500 hours of training and employment experience



Wates Facilities Management



For more info on Wates Facilities Management go to wates.co.uk/fm

Wates FM (Facilities Management) has established itself as a key partner in the UK facilities management sector, providing self-delivered mechanical, electrical and 'total FM' services to customers across the public and private sectors.

2020 was the business' first year as part of Wates Property Services. During the year, it retained 100% of its existing customers and agreed extensions to several key contracts in the legal, public, logistics, managing agent and multi-media sectors, whilst also achieving an exemplary health and safety performance. Wates FM has recorded zero reportable accidents or incidents for almost four years, setting standards consistent with its ambition to be a zero-harm business.

Capabilities enhanced by the coronavirus

The pandemic offered Wates FM a unique opportunity to showcase its ability to adapt and deliver a range of professional services in difficult circumstances. The business introduced new tools and techniques to improve performance and help customers continue to operate in a COVID-secure way.

This new way of working has been praised by several customers, who have highlighted the professionalism of Wates FM's staff. The plaudits came from both public and private sector contributors, including the Cabinet Office, which praised Wates FM's deep cleansing



services as an example of best practice during the pandemic.

Despite the coronavirus, Wates FM won new work in the legal, financial, education, logistics and multi-media sectors.

Public sector growth

The business won new contracts in the public sector, building on Wates Property Services' long-established links with these customers. Wates FM secured a place on

a new public sector framework across the West Midlands, as well as expanding significantly its partnership with HM Revenue and Customs (HMRC).

Wates FM's ambition in 2021 is to be the most trusted FM partner across both the public and private sectors. The focus on customer retention remains, and the business is developing bespoke real-time management information for customers as it continues to innovate to deliver market-leading levels of service.

CASE STUDY:

Canadian High Commission (Canada House)

The Canadian High Commission in London provides consular facilities for Canadians to renew passports and visas, and apply for emergency assistance. It incorporates a military liaison office and public affairs department, and is home to a number of key trade and political officers. The Grade II* listed Canada House building hosts special events, including conferences, receptions, lectures and lunches.

Throughout the five-year partnership with the High Commission, Wates FM will keep the buildings safe, secure and clean, to protect and support Canada's image and reputation.

Wates FM provides a total FM service, including all mechanical and electrical services, fabric maintenance and project management at both Canada House and the Commission's adjoining offices on Cockspur Street.



It delivers quality cleaning services and provides energy management consultancy, utilities procurement and bill validation. This work enables Canada's Department of Foreign Affairs, Trade and Development to maintain appropriate accommodation standards, policies, and programmes. It also safeguards and extends the performance of the building and has led to outstanding occupancy satisfaction levels, including those from visiting foreign diplomats and VIPs.

"Our experience to date on the outsourcing using the performance-based contract approach is certainly meeting our expectations. Although this type of contract was seen as something new to the real property industry in London, Wates was quick to research and understand the approach. Wates are working with us towards achieving our high standards, as we all envisioned."

John Sommerville, Canadian High Commission

CASE STUDY:

HM Revenue and Customs

Wates FM's security-cleared engineering team provides M&E services to four of HMRC's regional centres and 21 discrete sites. Since starting in 2019, the scope of the contract has grown from four to 21 sites, with the potential to expand further over the five- to seven-year term.

Wates FM adopted a business-as-usual approach as far as possible during the pandemic and mobilised eight new sites safely and in a COVID-secure manner during lockdown. This involved the TUPE transfer of four staff from one of HMRC's South London sites.

Wates FM has worked closely with HMRC, investing time and energy in understanding the organisation's new operational model.

This has seen the merging of a number of older properties and the development of several new offices. Wates FM's ability to mobilise new sites at short notice to ensure they were ready for business has been invaluable. During site mobilisation, Wates FM collects asset information and conducts an asset validation process, the findings of which are uploaded to a computer-aided facilities management system. This enables HMRC to identify the nature and condition of their assets and to plan for any necessary capital expenditure.

Wates FM has achieved a high level of customer satisfaction and has been awarded the maximum possible Net Promoter Score of 10 by HMRC.

"We receive a real added-value service from Wates FM – from an extremely efficient team. We have been consistently impressed with how Wates approaches mobilisation, particularly in the face of a global pandemic. Lockdown didn't faze the team; they immediately took over where we needed them to and set up sites on very short notice. The attitude to work and problem solving is amazing."

HMRC Estates Team

Wates Smartspace



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

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

SmartSpace works for banks, retailers, property developers, pharmaceutical and distribution businesses, broadcasters, owners and occupiers of commercial offices and public sector organisations. Project values range from £20k to £25m.

The business has established a strong reputation for delivering projects to tight timescales and in live environments, frequently working around business-critical equipment.

2020 was a challenging year for the business, which was affected significantly by the pandemic. The lockdown hit the business' retail, banking, and commercial customers hard, resulting in a number of project delays and cancellations. The business responded by decreasing its cost base, primarily through a 22% reduction in headcount.

Restructuring

In the summer, the business became part of Wates Property Services, creating opportunities for greater efficiency and to build on established relationships – particularly in the public sector.

The business' Commercial Director, Scott Camp (pictured), was promoted to Managing Director.

Despite the enormous challenges of the pandemic, the SmartSpace team adapted well to new Site Operating Procedures,

completing a number of high-profile projects for key customers, including HMRC and Lloyds Banking Group.

Much of SmartSpace's success is based on its longstanding customer relationships, and the business is well positioned on several multi-year frameworks for public and private sector customers. Recent appointments to help government departments reopen their premises on a COVID-secure basis have demonstrated

the team's ability to work under pressure. As the pandemic continues, the business is using its expertise to work with customers to modify their buildings so they are ready to encourage and support the new, different expectations staff and customers will have as COVID-related restrictions are relaxed.

As ever, SmartSpace is committed to helping its customers make best use of their estates.



CASE STUDY:

Crown House, Loughborough

Customer: Ministry of Justice

Value: £3m

Duration: June 2019 – September 2020

Wates SmartSpace completed a major refurbishment and reconfiguration project at Crown House in Loughborough for one of its longstanding customers, the Ministry of Justice. The three-storey office building in the town centre was fully refurbished with a Category B standard fit-out and replacement of all mechanical and electrical elements, including roof plant. It also included reconfiguration of the working areas to increase the number of desk spaces from 186 to 200.



CASE STUDY:

Department of Work and Pensions, Hastings

Customer: DWP

Contract value: £5m

Contract duration: 20 weeks

As part of its four-year framework with the Department of Work and Pensions (DWP), which began in 2018, Wates SmartSpace was awarded a £5m contract to fit out 57,000 sq ft of office space as part of two office relocations in Hastings, Sussex. The 20-week fit-outs of two contemporary office buildings, Havelock Place and Lacuna Place, was part of Hastings' effort to create a new Priory Quarter business district in the town centre.

The Lacuna Place refurbishment included upgrading the existing toilets and amenities, creating a new open-plan office environment, and upgrading a lift. The refurbishment work at Havelock Place involved replacing much of the ceiling to enable improvements to the building's MEP systems, refurbishing

terraces to provide accessibility, upgrading reception and installing meeting and conference facilities on the ground floor.

“This is a fit-out for an exemplary new office for some 850 colleagues as we continue our Workplace Transformation Programme. Existing staff will migrate from our Ashdown House campus into Lacuna and Havelock House in the centre of Hastings, adjacent to the train station. This supports our green travel planning and will contribute to our sustainability targets, building back better, greener and faster.”

Clive Anderson,
Head of Real Estate Major Projects,
Department of Work and Pensions



A multi-disciplinary team of technical, engineering and mechanical experts worked through the challenges of the pandemic, adhering to new government-approved Site Operating Procedures. The team's work has enabled the updated building to achieve a BREEAM (Building Research Establishment Environmental Assessment Method) sustainability status of 'very good,' meaning that the building will support the wellbeing of its users.

The project is part of a £1 billion court reform programme, through which HM Courts & Tribunals Service is aiming to provide easier access to justice.

Needspace?

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

Needspace? is Wates' flexible workspace business, providing high-quality managed office or workshop space to small businesses in London and the South East, giving them the scope to grow and achieve their ambitions.

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



The plan for Needspace? in 2020 was to grow the size of its portfolio. Although it has been a hugely challenging year, Needspace? nevertheless received consent to add 2,200 sq ft at its space in Hammersmith. Meanwhile, applications have been lodged to create a new standalone building at the front of the Clapham site, adding 3,900 sq ft of space; and to add a floor on top of the Bastwick Street building, expanding the property by 2,690 sq ft.

Whilst progress has been made in growing the business' footprint in these premium locations, the focus for the year has inevitably been on managing the impact

of the pandemic on Needspace?'s employees, its customers and their clients. As with all real estate businesses, the pandemic reduced occupancy rates and profits. After lockdown was imposed in March, occupancy declined by 20%.

It is a testament to the hard work of employees that following the closure of the centres at the end of March, all premises remained open to key workers throughout the first lockdown. The entire portfolio reopened to customers, to a COVID-secure standard, at the beginning of June.

Supporting its customers

Needspace? supported its SME customers through lockdown by offering reductions in licence fees totalling nearly £500,000. The business helped mitigate this reduction in income by furloughing all centre managers and sales managers whilst the buildings were closed.

Needspace? is now focused on attracting new business in 2021 by providing COVID-secure work-spaces.

During 2021 and beyond, Needspace? intends to:

- Seek external funding to further expand the business;
- Rebuild occupancy to at least the 80% level seen before the pandemic; and
- Secure planning permission at Bastwick Street and for further development schemes in Clapham and Hammersmith.



“This has been an enormously challenging year for both the Needspace? team and our small-business customers. I am so proud of how our team has supported our customers through lockdown and beyond. Whether through the financial support we offered in the form of licence fee reductions to help keep our customers afloat, or in making sure our business centres were COVID-secure so that people could return to their workplaces as quickly and safely as possible, our staff have moved mountains in support of the business. Looking ahead to 2021, I believe there will be significant opportunities to grow the business and meet the ever-increasing demand from SMEs and corporates for flexible workspaces.”

Charles Wates,
Managing Director, Needspace?

CASE STUDY:

WMR Waste Solutions

WMR is a joint venture business with GRS Roadstone that supplies waste and recycling services to businesses in the leisure industry, including holiday parks, golf clubs, hotels and restaurants. The fledgling company moved into a Needspace? business centre in Crawley in part because of its good transport links to London.

When WMR closed its office in April because of the pandemic, Needspace? supported the business by lowering licence fees. And when lockdown was lifted and WMR returned to the site, it quickly became apparent that the office was too small to allow the team to work in a COVID-secure manner. Needspace? responded by offering a choice of three alternative spaces, all within the same building and all within WMR's budget.

“Like most other businesses, we closed our offices once the pandemic took hold. Hearing from Needspace? shortly afterwards that they were going to help us by lowering licence fees during lockdown was a welcome relief, as saving monies on our overheads was crucial. And when it was time to return to the offices, it was good to know that this was only possible once Needspace? had carried out a full risk assessment of the building, installing good signage and antibacterial gel stations, along with guidance on the use of shared facilities, such as the kitchen, corridors, reception and the toilets.”

Mathew Major,
Director, WMR Waste Solutions



CASE STUDY:

Fit to Last



As a small gym offering a variety of classes and personal training, Fit to Last needed to find a flexible space when it was looking for its first permanent home five years ago.

Fit to Last prides itself on being friendlier than the average gym. Needspace?'s Clapham business centre proved to be the perfect location for the business. Clapham's flexibility has allowed Fit to Last to expand over the years as it attracted new members, moving into a bigger studio space as the gym became more established. Gyms have been hit particularly hard by the pandemic, so when lockdown came in March, Needspace? made sure that Fit to Last was kept up to date and informed about all the relevant government guidance. Upon reopening in June, staff in the centre ensured the gym was equipped with appropriate supplies and signage, so that its members could train in safety.

“Needspace? gave us peace of mind by keeping us informed throughout such a difficult period. We're really impressed with how Needspace? have supported us and fellow tenants through the pandemic.”

Ali Page,
Studio Manager/co-owner,
Fit to Last

Wates Residential



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

Wates Residential is one of the leading developers and contractors in London, the South and Wales, delivering mixed tenure housing schemes in partnership with the public sector.

The team believes that everyone deserves a great place to live and is committed to addressing the UK's urgent need for new, high-quality housing.

Wates Residential places the needs of local people at the heart of every scheme it delivers, which is central to the business' ambition to create sustainable communities. By engaging with key stakeholder groups early in the planning process, the team can discuss design preferences and aspirations to ensure that local needs play a critical part in the configuration and development of each scheme. The business also concentrates on leaving a positive legacy in the communities in which it operates by targeting local procurement, creating local training and employment opportunities, and investing in local charitable organisations and community groups.

Work winning in 2020

Despite the challenges posed by the coronavirus crisis, the Residential business performed well during 2020, accounting for 60% of all new work won across the Group during the year. This included a major £600m estate regeneration project in Harrow; the next two phases of its 10-year 'Cardiff Living' partnership with Cardiff Council, which will deliver 1,250 new homes; new developments in Hounslow; the second phase of work at the Gascoigne Estate, in Barking and

Dagenham; the Winnall Flats scheme in Winchester; and the Grahame Park development in Barnet. The business completed the Stag House scheme for Wandsworth Council and began a new project for the council at Kersfield Estate. Construction also began at Havering Council's Napier and New Plymouth House in Rainham, and a significant planning application was submitted during the year for 371 new homes on the Waterloo Road estate in Romford.

Restructuring

In July, Wates Residential became a standalone business, led by Executive Managing Director Helen Bunch. The number of full-time employees working in the business grew by 20%.

“2021 is set to be an exciting year of growth for Wates Residential.”

Providing social value to communities

Social value is intrinsic to Wates Residential's business. This was recognised by a Royal Institute of Chartered Surveyors Social Impact Award for the Cardiff Living, Silvertale Park scheme. The team continued to promote careers in the built environment with young people, commissioning a new book for children,

What do Construction Workers Do?. Almost 2,000 copies were distributed to London schools.

Working through the pandemic

As the full impact of the pandemic became evident in March, Wates Residential sites paused all operations for 48 hours. All sites then continued to operate throughout lockdown, and productivity steadily rose over the subsequent months to 100% of pre-lockdown levels.

As well as adhering to the new safety, hygiene and social-distancing standards, the teams adapted to other new ways of working. Virtual site tours and virtual Q&A sessions were held with local schools and colleges to ensure educational engagement programmes could continue. House sales continued via virtual home tours and socially distanced appointments. Sales targets for the year were met by October, despite the temporary closure of sales outlets during the first lockdown.

Looking ahead

In 2021 and beyond, Wates Residential will seek to harness new technologies and everything it has learned from working flexibly throughout the pandemic. At the end of 2020 there were more than 5,000 homes in the development pipeline, with 1,700 further homes to be created through build-only projects for public sector customers.



“Our continued focus is on excellent delivery for our partners and their communities. It is not just about bricks and mortar for us. We are building places that people can be proud to call home for generations to come and we are working together with local people to support them socially and economically so that we can build even stronger communities. The pandemic has focused attention as never before on the need for high-quality local housing and that is a demand we are well-placed to meet.”

We have established some great relationships with partners such as Homes England, Havering, Orbit Housing and Be First and are looking forward to working with new partners like Harrow, Hounslow and Winchester.

2021 is set to be an exciting year, with significant growth expected for Wates Residential. We will be investing in our teams and working to become a more attractive employer to a wider and more diverse range of people.”

Helen Bunch
Executive Managing Director, Wates Residential

CASE STUDY:

Havering 12 estates regeneration

Wates Residential's joint venture with Havering Council will transform 12 estates across the borough to provide 3,500 new homes for local people over the next 12 to 15 years. This is one of the most ambitious housing regeneration schemes in London and will double the amount of affordable housing in the borough. The right to return is guaranteed to every resident on the existing estates.

In 2020, the joint venture partners submitted the largest council estate regeneration planning application in London for the Waterloo Estate. This will see 1,380 high-quality new homes developed for private sale and affordable rent in the heart of Romford. Demolition has already been completed at the first two

estates to be developed – Napier and New Plymouth House in Rainham and Solar, Serena and Sunrise Court in Hornchurch. This allowed construction to begin on a new 175-home retirement village and 197 affordable new homes, all of which are designed with local people in mind.



CASE STUDY:

Encouraging the builders of the future



Wates Residential's commitment to community investment includes lots of engagement with local schools. This is intended to encourage young people to consider a career in construction and to improve diversity in the sector.

Wates Residential worked with a children's author, Emma Juhasz, to commission an illustrated book, *What Do Construction Workers Do?*. The book is intended to show children the wide range of jobs available in the construction industry and was inspired by the idea that 'you can't be what you can't see'.

As well as commissioning the book, Wates Residential also arranged for almost 2,000 copies to be distributed to Key Stage 2 pupils at schools near to its construction sites.

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

Wates Developments

Wates Developments specialises in land, planning and residential development. The business focuses on securing land and delivering planning consents in sustainable town and country locations in which there is high demand.

Wates Developments made important planning progress throughout 2020, with key planning applications, appeals and local plan allocations.

The business has now built a portfolio of 13 sites at all stages of planning. These sites could produce more than 11,800 homes. A further 1,700 homes are being created through a series of joint ventures.



Over **11,800** new homes in the pipeline, of which 3,839 homes across 13 sites are seeking planning consent

1,700 homes in active joint ventures

374 new homes sold in 2020 through joint ventures



The business also succeeded in accessing new sites across the south east of England including Sussex, Hampshire, Dorset, Cambridgeshire and Oxfordshire.

It was encouraging that the market for selling consented land recovered in the fourth quarter.

New home sales through house builder joint ventures amounted to 374 across 11 live sites. These results reflect a huge effort to recover from site closures during

the first lockdown. In the second half of the year, the strength and resilience of the housing market saw the business secure sales at pre-lockdown prices. This success is reflective of Wates Developments' long-term strategy to secure quality, edge-of-settlement locations. These locations have always been popular but have benefited since the start of the

pandemic from increased interest from buyers seeking to leave urban centres. Many economic commentators reference the ending of government support for the housing market in April 2021 as critical in assessing likely future demand and pricing trends.

CASE STUDY:

Park East, Erith

Wates Residential is working in partnership with housing association Orbit and Bexley Council on the £95m Park East regeneration scheme in Erith. The project will create 320 new homes: 80% for affordable rent; 20% for shared ownership. Work is expected to be completed by 2023. The demolition of three 13-storey 1960s tower blocks and several low-rise buildings has cleared the way for a new mixed tenure community.



The same partnership has already delivered the award-winning Erith Park development (opposite Park East), which has helped to reduce crime in the community by 80% since it was completed.

Wates Residential and Orbit are committed to providing employment and training opportunities for local people to help boost the local economy and combat the industry's skills shortage. Two free construction and employment skills training courses have been hosted in Bexley to help unemployed adults gain the valuable practical experience they need to kick-start their careers. The partnership has also pledged to hire at least 31 apprentices and 25 full-time employees from the local area.

The partnership has also supported the local community through donations, volunteering and charity work. This

£95m scheme

320 new homes

80% affordable rent

20% shared ownership

Three tower blocks demolished



includes the donation of laptops to the Active Horizons community centre, to help young people who do not have access to computers or WIFI at home.



The planning system suffered delays as local authorities adjusted to remote working and virtual planning committees. A reduction in the supply of consented land is anticipated throughout 2021 and 2022, and is expected to sustain land values in 2021 and beyond.

The Government's ambition to improve the performance of the planning sector was evidenced by the launch of its Planning White Paper in August and its intention to push local authorities to boost housing supply (to enable the UK to reach the target of building 300,000 new homes a year).

New businesses to enhance offering

During 2020, two new complementary businesses were created to enhance the Group's offering to the residential sector: Wates Partnerships and Wates Development Agency Services.

Wates Partnerships has been established to facilitate the provision of completed 'turnkey' residential developments, from

raw concept at land stage through to planning, delivery and completion with pre-sold land and building contracts.

Its purpose is to secure private land and fulfil our customers' investment requirements with pre-packaged development schemes. Delivery will, in general, be achieved through collaboration with other Wates Group businesses.

Wates Partnerships will further build on Wates' relationships with housing associations, private rented sector investors and senior living operators, covering respective markets for each.

Wates Development Agency Services aims to provide outsourced development services across the full range of residential project design, marketing and sales. It will meet a recognised void where customers have a development ambition but lack some of the requisite capabilities.

These services are primarily focused on customers such as local authorities and housing associations which have an identified need for new homes.

"2020 began with a strong, positive market response to the clear result of the general election. That bounce proved short-lived as the pandemic struck in March, pausing activity on our house builder joint venture sites and disrupting the planning process across the country.

It is to the immense credit of our talented team that we transitioned rapidly and successfully to home working.

As we emerge from the pandemic, our strategy will remain focused on sites in saleable locations and investment in quality joint ventures with leading house builder partners.

At this stage, the planning process has not returned to pre-pandemic levels of performance. Many local plans, individual applications and planning appeals have been delayed.

During 2020 the business experienced a number of disappointing planning decisions. Some quality schemes were refused despite unequivocal support from local planning officers. We expect several of these sites to achieve consent in 2021 and are looking forward to the year with optimism."

David Brocklebank
Executive Managing Director,
Wates Developments



CASE STUDY:

Ford Airfield

'The Landings' is a ground-breaking neighbourhood-plan-led development at the former Ford Airfield, West Sussex.

During the year Wates Developments and its partner – Redrow Homes – took a crucial step forward, submitting an outline planning application to 'create a new heart to Ford', including 1,500 new homes.

Working with the Neighbourhood Plan Group and Ford Parish Council over the last seven years, this became the largest neighbourhood plan allocation in England at the time, bringing forward a single allocation of 1,500 new homes that has since been adopted into a District Plan (Arun District Council Plan).



The complex site aims to deliver much-needed new homes, important community benefits, new jobs, significant open spaces, extensive planting and new trees.

Proposals also include: a new primary school; a care home; a local centre with

retail units; significant open space; allotments; new football pitches complementing the Arun Sports Arena; and a children's 'Flying Fortress' play facility.

The 900+ acre site currently includes a mixture of agricultural land and the historic Ford airbase, which was a Battle of Britain airfield in WW2 and a base for RAF Hunter jets. The business is hopeful of securing a planning consent in 2021, following which Redrow and Wates will deliver infrastructure and create serviced land parcels for development.

Wates plans to develop over 300 new homes on the site.

CASE STUDY:

Crowborough



Wates Developments submitted a planning application to Wealden District Council for new homes on land to the south east of Crowborough, East Sussex, which was secured under contract late in 2019 and was not allocated for housing at that stage.

The scale of housing need in this location is such that the business proposed a fast-tracked planning application on an unallocated site that includes the partial redevelopment of a riding school and a garage.

The proposition received support from the planning committee in December

2020 and will now deliver 150 new homes, of which 35% will be affordable.

Progressing housing schemes at speed can be extremely challenging and the team has worked relentlessly to respond to the concerns of local people, engaging with local councillors throughout.

The site will be sold in early 2021.

Sustainability report

Putting people and the planet first

Wates' Guiding Framework commits the business to acting responsibly for people and the planet, and to ensuring that our impacts on health, happiness and the environment are positive.

Although the year was dominated by the pandemic, 2020 was also characterised by an intensifying focus on climate change, biodiversity loss, social and economic inequality, and racism: issues the Group is determined to address.

Zero Harm

In January 2020, Wates celebrated a major milestone in its 'Zero Harm' journey a year early, reaching a Lost Time Injury Rate (LTIR) of 0.050 against a target of 0.100. It also launched its environmental strategy, setting out how it aims to become a zero carbon, zero waste, and nature positive organisation by 2025¹.

Wates maintained its trajectory towards becoming a sustainable zero-harm working environment. The total number of RIDDOR-reportable injuries reduced by 10% from 2019 (although the Accident Incidence Rate was marginally higher than in 2019 because fewer hours were worked as a result of the pandemic). The Group's overall performance was 67% below the HSE construction industry average for 2019/20 and 57% below the Build UK average².

Wates evolved its long-term approach to mental health and wellbeing to focus on eradicating absence due to work-related stress, empowering colleagues to find a better work-life balance and involving colleagues and communities in wellbeing-related initiatives. This was particularly relevant in the context of the pandemic, which put extraordinary pressures on colleagues and the communities in which they work.



COVID-secure measures

The company responded to the pandemic with a communications strategy and campaign to support colleagues' mental health and wellbeing; it provided employees working from home with financial support to help them make their homes safer and more comfortable places to work in; and made offices and sites 'COVID-secure', ensuring workplaces were safe.

A renewed environmental focus

The pandemic has created a political and industry imperative to 'build back better'. Many people are increasingly focused on reducing waste and energy consumption.

"The fact that Wates achieved its target of a £20m spend with social enterprises early demonstrates their genuine commitment to helping the communities where they work. Social enterprises make a real difference to people's lives. This commitment from one of the UK's biggest firms to helping us improve lives and communities is not only an endorsement of what we are trying to achieve, but also shows how companies can bring about lasting change."

Lord Adebowale
Chair of Social Enterprise UK



¹ Def. see page 48 for explanation of environmental targets

² Based on HSE and Build UK's last reporting periods (1 April 2019 to 31 March 2020)

In an Ipsos Mori poll conducted in June 2020, 66% of the UK population said that climate change is as serious as the COVID-19 health and economic crisis. The Group remains committed to the environmental objectives it published at the start of 2020 and, during the year, secured 81% of energy from renewable sources, reduced CO₂ emissions by 42% and diverted 99% of waste from landfill.

Social value

Through its community, social enterprise (SE), and education and employability programmes, the Wates Group created over £15.2m of social value in support of local communities. In January 2020 it recognised the milestone of having spent a total of £20m with SEs – a target set in 2015 and which was attained in December 2019 – with a lunch attended by Social Enterprise UK Chair, Lord Victor Adebowale.

Following this success, in November, the Group launched its five-year social value strategy, 'Creating Opportunities', supporting the drive to develop sustainable communities by tackling inequality, inspiring and educating young people, and supporting growth in the social enterprise sector.

"Throughout our sustainability report we reference a number of the United Nations' Sustainable Development Goals (SDGs). The UN is committed to achieving these 17 goals by 2030, with a view towards ending all forms of poverty, fighting inequalities, and tackling climate change. Our sustainability strategies are linked to and shaped by the SDGs, with the aim being that Wates should play its part in helping to meet these shared goals.

In 2021, we will continue to balance and respond to the shifting priorities and challenges the pandemic and global climate crisis brings; including further investment in health and safety to protect our people; reducing our use of single-use plastic; helping people back into training and employment; and encouraging greater use of sustainable technology so we really can create the places, communities, and businesses of tomorrow."

John Dunne
Group Director, Sustainability

HEALTH AND SAFETY

Managing safety and wellbeing

Wates has maintained one of the leading health and safety records in the industry with an Accident Incidence Rate (AIR) of 86 – around 57% below the average for BuildUK members and 67% below the construction industry average.¹



Across the industry, the first lockdown saw a higher number of workplace accidents and high potential incidents. Data from the Office of National Statistics revealed that workers in the construction trades were among the worst hit occupations and, in June, the Health and Safety Executive reported that the annual average of fatal injuries across the sector had increased from 37 to 40.

Wates site teams adapted to working in difficult circumstances whilst keeping a focus on delivering high-quality work, safely. The implementation of Wates Standard Operating Procedures and the training of site COVID-19 marshals enabled the business to maintain

operational efficiency throughout 2020 whilst concentrating on social distancing, enhanced hygiene measures, avoiding shortages in Personal Protective Equipment (PPE) and material supplies, and dealing with the personal and societal impact of the pandemic.

The Group's continued commitment to creating zero-harm working environments saw a 28% reduction in total injuries, and a combined Lost Time Injury Rate of 0.068 (comfortably within its Zero Harm target of 0.100).

UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOAL (SDG)



67% below the HSE Industry average

57% below the Build UK average

Total Injuries down by **28%**

Combined LTIR (all RIDDOR and Lost Time Injuries)

0.068

Accident Incidence Rate (based on RIDDOR injuries per 100,000 Workers)

86

¹ Based on their most recent figures to April 2020.

WELLBEING

Workplace wellbeing and mental health

The lockdowns presented challenges to workplace wellbeing, with colleagues' health impacted both physically and mentally.

During the 12-month period from January 2020, Wates recorded 628 days absenteeism as a result of COVID-19 (not including furlough) and 3,987 days (2019: 3,270 days) as a result of mental health issues.

The Group introduced a £150 Working from Home grant to help with the provision of appropriate home-office furniture.

Supporting colleagues' mental health

The company continued to invest in Mental Health First Aider (MHFA) training, with seven employees gaining Applied Suicide Intervention Skills Training (ASIST). These Suicide Prevention Officers are providing a critical role in supporting a 297-strong MHFA network through its partnership with Papyrus, the national suicide prevention charity.

Over the course of 2020 the MHFA network saw a three-fold increase in calls



over the peak furlough period between April and September. Overall, the network has supported 1,600 people, either requesting help directly or to advise other employees who are concerned about a

colleague. Their skills have been used to support not only Wates staff but also its supply chain and customers as well as residents and other members of the local communities in which it works.

The network ran daily 'Virtual Drop-In' sessions throughout the furlough period, which then continued after people returned to their COVID-secure working environments. During this time, Wates rolled out a new mental health app, 'EveryMind', to all employees, giving access to a range of coping tools and support to help them deal with challenges they might be facing. This included self-help, advice for helping others, or guidance and information for colleagues to educate themselves on a variety of topics.

Despite the challenges of working remotely, Wates' annual Fitness Fortnight saw its biggest take-up to date, with teams embracing technology to come together to enjoy tea and talk, quizzes, virtual yoga, salsa aerobics sessions, and a series of webinars covering sleep, fatigue, burnout, mindfulness and nutrition.



30% fewer days lost due to musculoskeletal conditions*

297 Mental Health First Aiders

Seven Employees trained in Applied Suicide Intervention Skills

£150 employee Working from Home grant introduced



* Figures reflect the impact of COVID-19 and the reduction in hours worked due to the furloughing of some Wates staff.

Suicide – the 's' word

During 2020, Wates launched a company-wide campaign to raise awareness of suicide among people in the construction industry and to support the message: 'It's OK to ask for help; it's OK to talk about suicide'.

Suicide claims one construction worker's life every day in the UK; a rate that is three times higher than the national average, with men aged 45 to 50 being most at risk. Whilst suicide rates have been increasing at an alarming rate over the last 10 years, a report by the Association of Physicians in Great Britain warned that people are at an elevated risk of suicide as a result of the psychological effects of the pandemic, and that this will be the case for a long time.

Wates' campaign has encouraged employees, delivery partners, family and friends to make time to have a conversation about suicide and to not be afraid to discuss how they are feeling or to seek help. Supporting this campaign, Wates has developed a partnership with the suicide prevention charity Papyrus to help break down the stigma of talking about mental health and suicide. The campaign is supported by videos, posters, webinars, discussion panels and the sharing of experiences by colleagues who have been affected by suicide.

"We have been working with Wates for the last two years since one of its employees became a Papyrus Champion following the death of his son to suicide. His trail-blazing work in suicide prevention includes delivering awareness sessions to colleagues, making Papyrus resources available at most construction sites, and engaging Wates to invest in Applied Suicide Intervention Skills Training. As a result, lives are being saved as people gain the confidence to ask the question: 'Are you having thoughts of suicide?'"

Joanna Hitchen,
Papyrus

CASE STUDY:

The question that saved a life

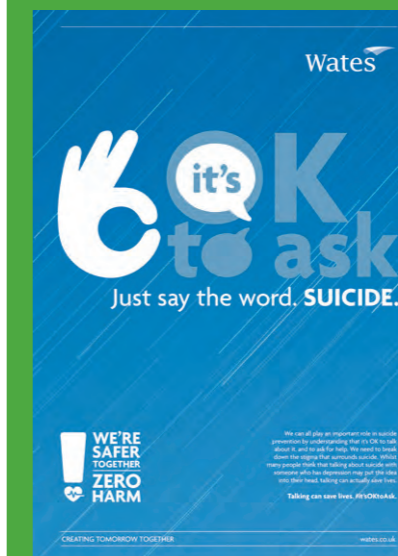
Kerry, a Safety, Health and Environment Advisor, applied to become a volunteer Mental Health First Aider (MHFA) in 2017.

"I saw first-hand in my job some of the mental health issues people were suffering with but were not comfortable speaking about. I wanted to reduce the stigma around mental health in the workplace," she says.

Early in 2020 Kerry, who was already providing support for up to 10 people a year in the workplace, was able to use her MHFA skills outside of the workplace to save a young girl from suicide.

Kerry immediately got in touch and connected Katy with one of its helpline professionals. Together with Papyrus' support, Kerry helped Katy to find somewhere safe to stay and got her an emergency appointment with her GP the next day.

"That 24-hours bought enough time to get her the immediate help needed to prevent her suicide."



"I noticed that the behaviour of a young girl who worked at my local stables, Katy, was different; she was sad. When I asked if she was OK, she just put her head down and said she was fine. Walking away, I knew something wasn't quite right. My training taught me a very simple technique, which is to ask, and ask again. So, I did; three times, before she eventually broke down. I was then able to ask the question as to whether she was self-harming or was at risk of harm. It was then that she revealed that she had been storing pills and that night was going to take her own life."

Katy was just 18 years old at the time. Knowing about Papyrus through Wates,

Working together to create a Suicide Safe Community, Kerry, Papyrus and Katy's GP worked to help secure Katy a home and to receive the specialist counselling she needed. Six months later, Katy – who was diagnosed with borderline personality disorder – is managing her mental health, she has joined a gym and is now in a job which she loves.

"Had I not been trained through Wates as a Mental Health First Aider, and without the help of Papyrus, I am in no doubt that Katy would have died that night," says Kerry.

A few days after Kerry's intervention, she was able to turn to Wates' MHFA network to seek the support she herself then needed.

"Being a Mental Health First Aider is so rewarding, but it can be mentally and emotionally exhausting. The Wates team was there to help me through this experience and to give me the strength to continue to support and help others."

At the peak of the pandemic, when the greatest number of Wates staff were furloughed, Kerry was dealing with around two phone calls a day from colleagues and managers concerned for others. She remains in touch with Katy, and with the twelve colleagues she has helped this year.

ENVIRONMENT

Changing Our Habits to mitigate the climate crisis



In January 2020, guided by, amongst other things, the views of customers and employees, Wates launched its environmental strategy and an engagement campaign to encourage everyone at Wates to 'Change our Habits'. The strategy sets out the company's ambitious five-year plan to:

Achieve zero waste from its operations by 2025; eliminating waste produced as a result of materials bought and / or used in the process of delivering its projects.

Achieve zero carbon from Wates operations and operational vehicles by 2025; based on Scope 1 and 2 emissions¹.

Have a positive impact on nature from all operations by 2025; increasing the value and community benefit of nature in all areas where Wates operates, including project sites and offices.

Changing Our Habits

A key focus for the Group in 2020 was to raise awareness of its strategy so that the actions to meet the targets could be mapped out with customers, supply chain partners and employees. This included a series of webinars, blogs, industry conference panel discussions and training videos.

The Group's 'Changing Our Habits' campaign, which focuses on behavioural change and the need to work in a more sustainable way, was featured in the press, on social media, on project sites and in offices, and on all internal communication channels.

Environmental performance

Some early improvements were achieved in 2020, with 99% of waste diverted from landfill and a significant reduction in the Group's average CO₂ emissions from 264 grams per kilowatt hour (g/kWh) to 94g/kWh. By the end of 2020, 87% of Wates sites were using Wates' single energy provider (Planet First Energy). This has resulted in a 81% increase in the procurement of renewable energy, putting the Group well on track to achieve its goal of 100% of electricity supplies sourced from REGO-backed (renewable energy guarantees of origin) by 2021.

Despite the pandemic, the company managed to meet its objective of planting 5,000 trees during the year, part of its 'Treeathlon' commitment to plant 15,000 trees by the end of 2021. Since the campaign was launched in 2018, a total of 10,420 trees have been planted.

¹ **Scope 1** – direct emissions from our place of work and owned assets, such as from a diesel generator on site.
Scope 2 – from purchased electricity used to power works on site and in offices. These are indirect emissions.
Scope 3 – also indirect emissions but from the supply / value chain. This includes business travel, transport emissions from deliveries, and embodied carbon from purchased goods and services.

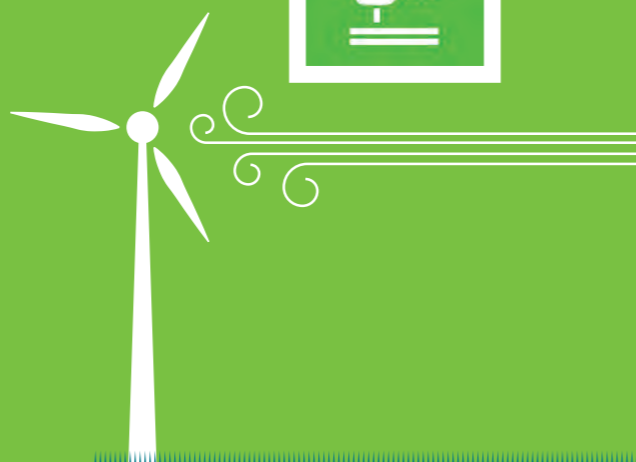
10,420 trees planted in two years

81% of energy demand provided from renewable sources

8,036 tonnes of CO₂ emissions (Scope 1 and 2)¹

99% of waste diverted from landfill

SDGS



SUSTAINABLE INNOVATION

Innovation key for sustainable buildings

Demand is increasing for ducts and services that enable sustainable building design and offer better ways of improving and analysing building efficiency.

Wates Sustainable Technology Services (WSTS) – now in its fifth year of supporting Wates and its customers – identify, trial and implement suitable sustainable innovations in response to increasing customer demand for products and services that can improve their building's energy efficiency and to meet their environmental targets.

WSTS has a portfolio of 41 Innovation Partners. In 2020 WSTS delivered bespoke 'Green Dragons' Den' events to a number of key customers, connecting them to our Innovation Partners. This has resulted in 10 trials and 14 product implementations, creating significant environmental and operational savings.

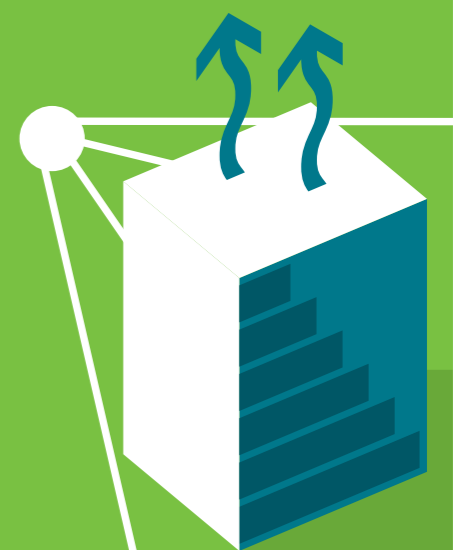


41 Innovation Partner portfolio

10 customer trials of sustainable innovations (2020)

14 customer implementations of sustainable innovations (2020)

Circa £120,000 value of product implementations (2020)



CASE STUDY:

Banking on reducing energy for a greener future



Boiler plant room at one of the bank's EndoTherm installations.

Wates Sustainable Technology Services (WSTS) is supporting Lloyds Banking Group's efforts to tackle climate change by helping to reduce its carbon footprint through sustainable innovation (SI).

Selecting and implementing SIs is complex without professional guidance, support and collaboration. Lloyds has been working with WSTS to identify potential SIs that can reduce energy use and carbon emissions, and support environmental targets.

WSTS organised four 'Green Dragons' Den' style events; providing a platform to connect and engage the bank's key decision-makers with sustainable innovations.

Using a structured value-based decision framework, WSTS helped Lloyds identify 20 SIs and products that met the bank's compliance and environmental objectives. To date, 18 of these SIs have been selected. One of these currently being trialled across 14 sites is EndoTherm, an energy saving additive that reduces energy costs by up to 15%.

"It is a privilege to work with an energetic team and alliance which draws from such wealth of experience. We all have the power to improve and influence the process of how our projects and buildings interact with and impact our environment. Sustainability and innovation is at the very heart of how we design, improve, construct, commission and maintain our properties. WSTS and its Green Dragons' Den approach is an influential initiative which highlights some amazing technologies that can make a difference."

Christopher Houlding
Sustainability, Engineering and Resilience Manager,
Lloyds Banking Group

CASE STUDY:

Helping customers to net zero

Working with sustainable innovation partners from WSTS, Wates FM is finding new ways to support its customers on their journey to net zero.

MKL Innovation, a digital facilities management company that provides digital compliance and Internet of Things solutions, became a WSTS Innovation Partner in 2019. In early 2020, after a successful pilot with a major global engineering management and development company, facilitated by WSTS, MKL installed an energy management system (Renegade) with Mott MacDonald, a customer of Wates FM.

This is now enabling Mott MacDonald to track live energy and carbon emission data effectively at its office in Leeds. They can see, control and manage their operational energy and data from anywhere in the world, without the need to be on site.



MKL's installation (shown as the black box) at Mott McDonald.

MKL's solution is entirely tech agnostic, which means it can scale and grow, giving a long-term solution to providing valuable data that ensures Mott MacDonald can meet their carbon targets and create operational efficiencies. MKL Innovation intends to roll out the energy management system across the remaining 31 customer sites.

"In today's market, customers place more emphasis on added value in FM. They are looking for sustainable innovation solutions and partners who can deliver them. In supporting our business and our customers, WSTS is helping the sector to overcome ever more complex environmental challenges."

James Gregg, Managing Director, Wates FM

SOCIAL VALUE

Creating social value

In 2020, Wates Group created social value of £15.2m through its education and employability programmes, its community development projects and its work with social enterprises (SEs). When data from our site and contract teams is added via the Group's Social Value Portal, the figure climbs to over £24m. In November, the Group launched its five-year social value strategy, 'Creating Opportunities', including a range of undertakings underpinning its continued commitment to delivering social value.

Despite postponing some programmes due to the pandemic, Wates continued to engage with young people through its Build Yourself education programmes, which reached over 11,000 participants during the year. This includes the pre-lockdown launch of the Wates Build Yourself Junior programme for primary-aged children, in which 2,085 pupils took part. 95 more attended its COVID-19-secure summer programme.

Inspiring young people

These programmes, which are designed to inspire young people to work in the



built environment and encourage personal development, have a real focus on under-represented groups. At the summer programme, over 70% came from BAME backgrounds and 35% were female. 59% increased their understanding about the sector whilst 44% of the delegates who completed the programme said they would feel more confident handling new situations in the future.

Supporting social enterprise

In 2020, Wates spent £7.6m with SEs. Whilst some of these saw record online sales because of the lockdown, others were affected very negatively by the pandemic. As a founding partner of the 'Buy Social Corporate Challenge', Wates continues to lead the way in using SEs to deliver social value, and has integrated a number of SEs into its supply chain. The commitment to supporting the SE sector, helping it to recover and expand is a key objective for 2021 and beyond.

Further achievements during the year included the upskilling of over 800 people through Wates' pre-employment programmes, such as 'Construct a Career', which complements the Building Futures Programme and aims to get adults back into work after long periods of unemployment.

Living wage

Following the success in 2019 in attaining accreditation for the Wates FM business as a Recognised Service Provider (RSP) with the Living Wage Foundation, in 2020 Wates Residential was accredited as a Recognised Service Provider, and Wates Developments was certified as a Living Wage Employer. The commitment for all parts of the Group to be Living Wage RSPs by 2025 is outlined in its social value strategy.

£7.6m spent with social enterprises

£15.2m social value created

Over 11,000 young people on Wates Build Yourself programme including...

2,085 primary-aged children on Wates' new Build Yourself Junior

Over 800 people upskilled through Wates pre-employment programmes

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

CASE STUDY:

The virtual reality of building aspirations and skills



The pandemic brought immense challenges to the education sector and impacted on the training and employability opportunities for young people, with those furthest from the workforce most disadvantaged. The Sutton Trust's 'COVID-19's: Access to the Workplace' report suggests that 61% of employers have cancelled some or all of their work experience or internship placements for the foreseeable future.

Wates responded to having to cancel its Build Yourself internships and work experience placements with the launch of its Build Yourself Virtual Work Experience (VWEX) event.

Partnering with Speakers for School, a VWEX week was held during the summer holiday, supporting 24 students aged 14–19 years. The week engaged students in the world of work and construction and involved a range of virtual activities where delegates were set individual tasks and a group

challenge. As well as building employability and personal skills, the experience helped to broaden aspirations and provide an opportunity to learn about the varied careers in the construction industry.

VWEX has made work experience more accessible to people from diverse backgrounds and locations across the UK, as well as building valuable skills in interacting in professional virtual environments; a skill that will be vital in their future careers. As a result of the success of these events, Wates engaged in six further VWEX events, supporting more than 150 students. It also delivered a virtual career insights day to more than 550 participants, including many adults furthest from the workforce, which showcased different Wates businesses and shared employability skills such as application and interview tips. Wates will continue to deliver virtual work experience and employability events but is aiming to resume in-person engagement in 2021.

"I have learnt a great deal about what the workplace is like and the important skills and qualities required to build myself as a person and within my career. I have also gained knowledge on paths which I never knew existed before, such as a degree apprenticeship. The CV presentation that was conducted was also very valuable to me as it showed me how to come across to employers and the ways I need to upskill myself."

R.W., VWEX Student

"I have learnt a lot about the construction industry, breaking down previous misconceptions. Overall, this experience has been incredibly helpful for me and I have gained more skills, such as presenting and teamwork, from before I started. I have grown as a person from this short period of time and I have opened my eyes to more possibilities."

L.A., VWEX Student



CASE STUDY:

Delivering COVID-secure summer camps



Wates delivered a series of summer transition camps in 2020 across four schools in London. Three of the camps were aimed at young people transitioning from primary to secondary school and one camp worked with vulnerable young people. In total, 95 young people attended, of whom 35% were young women, with 70% coming from BAME communities.

The camps created a safe and fun environment in which to learn and, partnering with LMP Action, provided a pathway back into education following lockdown whilst offering support to young people in an already anxious time of transitioning to secondary school. They included workshops based on the STEM curriculum, designed to encourage creativity and provide an insight into the built environment. This helped students to adjust to their return to school, introduced them to the idea of a career in construction, and built confidence, resilience and self-esteem.

"The Wates Building Project brought something new to the students during the pandemic. It was challenging and exciting; many had not been involved in a project of this scale that built understanding, confidence, resilience, and social skills. Young people were taken out of their comfort zone and left the camps feeling accomplished and extremely positive. Many commented that they did not ever anticipate achieving such a good building/outcome."

Amy Lalla, Director of LMP Action

QUALITY

Quality matters

Underpinning all Wates' activities is a focus on quality. The central Quality Team is responsible for the Group's Operating Framework, for driving best practise, and for assurance, external certification audits and compliance checks.

During 2020, major revisions to the Group's Operating Framework included a complete redevelopment of its Prism Operating Framework, which was delivered within a challenging timeframe during the furlough period. Other major changes to the Group's suite of Operating Frameworks included the processes relating to temporary works, GDPR (General Data Privacy Regulations), mental health and wellbeing, family leave policy, gas installation, BIM (Building Information Modelling) and coordinated working drawings, temporary agency workers, tender review services, and electrical installation controls.

Due to furlough, a number of external certification audits were delayed, resulting in 22 of a targeted 25 audits being completed by the year end. Despite the challenges of 2020, the company successfully met its non-compliance ratio target of 1.0 with a result of 0.8.

During the year Wates was successfully recertificated to ISO 9001, ISO 14001, and ISO 45001. SES (Engineering Services) and Prism Offsite Manufacturing continue to be certificated to their respective standards. Additionally, Wates has achieved certification to ISO 44001 Collaborative Business Relationship Management Systems for its work on the Scape Framework.



Commitment and progress on the Task Force on Climate-related Financial Disclosures



The Group aims to be carbon neutral by 2025, by eliminating its direct carbon emissions (Scope 1 and 2, operations and operational vehicles).

As an official supporter, Wates is committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The business views the recommendations not only as a reference point for reporting on climate-related financial impacts, but also as a framework for reviewing and updating the Group's risk and opportunity management processes.



As a construction and engineering business and an owner and manager of property, the Group is exposed to both risk and opportunity from climate change. This TCFD update has been included alongside the 'Streamlined energy and carbon report' (SECR) chapter in this document to give a full picture of our progress on environmental sustainability reporting.

Climate change is one of the most complex risks that will affect human life in the future. It has the potential to harm ecosystems, human health, infrastructure, food and water supply by, amongst other things, increasing the frequency and severity of natural disasters.

In June 2017, the Financial Stability Board's Task Force for Climate-related Financial Disclosures published a report recommending that climate-related risks and opportunities should be incorporated into companies' risk management and strategic planning processes. The task force also recommended that these risks and opportunities should be quantified and reported on.

The Group aims to be carbon neutral by 2025, by eliminating its direct carbon emissions (Scope 1 and 2, operations and operational vehicles). Progress towards

this target is recorded in the 'Streamlined energy and carbon report' (SECR) which follows this chapter. The Group has achieved certification from the Carbon Trust for energy and carbon management methodology since 2016.

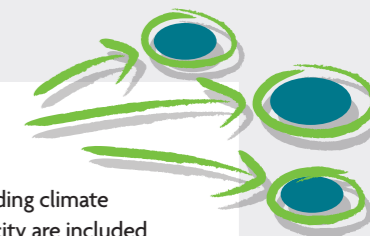
The Group's commitment to align financial disclosures with the TCFD recommendations focuses on four thematic areas: governance, strategy, risk, and metrics and targets, as represented in the illustration on the next page.

As work progresses in this area, information will continue to be disclosed in the Annual Accounts and Reports within the SECR and in the strategic report (principal risks and certainties).



GOVERNANCE

The Group's Sustainability Committee meets on a quarterly basis to oversee and guide the actions through which Wates is becoming more sustainable. This includes activities that aim to address waste, energy use and climate change. The Sustainability Committee reports to the Group Board. The Head of Environment provides a monthly report to the Executive Committee where environmental matters and risks that are relevant to the business are discussed and progress against targets is analysed.



STRATEGY

Environmental risks, including climate change and resource scarcity are included and analysed within the Group's strategic risk report, and year-on-year trends are reported. In addition, the Group's environmental strategy aims to address carbon emissions, biodiversity loss and waste generation within the company. Specific climate change-related financial risks and opportunities will be identified in 2021. Risk scenarios will be used to inform the strategic development and management of the business.

TCFD framework of recommendations

RISK ASSESSMENT

Wates tracks environmental risk in the company financial risk register. The risk register is managed and discussed each month by the Executive Committee (as mandated by the Board).



METRICS AND TARGETS

The Group has a target to be carbon neutral by 2025 across its operations. SECR and integrated reporting are prepared annually, where progress is recorded using key performance indicators, including:

- Energy intensity and absolute energy consumption from multiple fuel sources
- Percentage of energy demand from renewable sources
- Carbon intensity and Scope 1 and 2 carbon emissions in accordance with the Greenhouse Gas Protocol



Streamlined energy and carbon report

Wates' Guiding Framework commits the business to becoming more sustainable. In 2019, the Group chose to prepare a streamlined energy and carbon report (SECR) a year before it became a legal requirement to do so.

This report builds on the achievements of 2019 to give an updated picture of where the company stands on its journey to zero carbon.

Reporting period

Wates is reporting for the calendar year 2020, providing 2019 as a comparison year and 2016 as a baseline year.

Environmental indicators

Wates operates an environmental management system compliant to ISO 14001 standards for all companies that operate as part of Wates Construction Limited. The Group's management system ensures that it meets environmental standards and legislative requirements across all the SECR key environmental impacts.

The framework of the SECR allows companies to report voluntarily on one or more of several environmental indicators. Wates has chosen to focus this report on CO₂ emissions, waste and water indicators. These indicators align most



closely with Wates' 2025 environmental strategic targets, especially the Group's goal to reach net zero emissions.

Wates also intends to eliminate the production of non-hazardous waste from materials bought and used in delivering our projects by 2025.

Reporting boundary

The statutory entities included in Wates' CO₂ reporting boundary for this report are Wates Construction Limited, SES (Engineering Services) Limited, Wates Property Services Limited, Wates Developments Limited, G Purchase Construction Limited, Wates Maintenance Services Limited, Wates Group Services Limited and Wates Construction Services Limited.

Measurement methodology

Wates used an operational control approach for this report, employing a location-based and market-based methodology. The Group's carbon footprint covers Scope 1, 2 and selected Scope 3¹ emissions for each calendar year. The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol. Outputs are reported in kWh and CO₂e (Carbon dioxide equivalent), using the most recent available conversions factor from the Department for Business, Energy & Industrial Strategy.

Energy performance results

Energy Footprint MWh	2016 Baseline year	2019 Comparative year	2020 Reporting year
Transport	28,988	42,995	17,660
Gas oil	13,843	12,805	7,887
Electricity Non-renewable	14,038	6,713	1,745
Electricity Renewable	0	12,470	7,359
Natural Gas	3,184	10,808	3,295
Total	60,053	85,791	37,946

Carbon performance results

Energy Footprint t/CO ₂ e	2016 Baseline year	2019 Comparative year	2020 Reporting year
Scope 1	7,984	8,936	5,911
Scope 2	5,784	4,903	2,124
Scope 3	4,224	4,054	2,244
Total	17,992	17,893	10,279

Intensity ratio

Intensity Ratio t/CO ₂ e/£m	2016 Baseline year	2019 Comparative year	2020 Reporting year
Location-based	9.0	8.9	5.2
Market-based	9.0	6.9	4.1

Energy and carbon strategy

Wates takes its responsibility to reduce energy consumption and CO₂ emissions seriously.

Wates intends to support the UK government's goal of achieving net zero carbon by 2050 and has made its own commitment to be zero carbon by 2025. To help reduce operational CO₂ emissions, Wates will increase its clean energy spending for heat, power and transport fuels. The Group's aim is to ensure that 100% of its electricity supply is from renewable sources by 2025.

Energy and carbon performance commentary

Operational trends

The Group has made excellent progress in measuring and developing its CO₂ reduction programme during 2020.

- Absolute CO₂ emissions have reduced by 43% from the baseline year of 2016, from 17,993 t/CO₂ to 10,279 t/CO₂.
- The market-based CO₂ emission intensity ratio has fallen from an initial rate of 9 t/CO₂/£m in 2016 to 4.1 t/CO₂/£m for the year ended 2020.
- 81% of all electricity used by the Group has been procured from renewable sources – a total of 7,359 MWh. From a baseline of having zero electricity procured from renewable sources in 2016, the Group is making progress towards its target of 100% renewable electricity production.
- The Group's transport fuel emissions were reduced by 41% due to fuel efficiency measures and low emission fuels.

Energy efficiency and carbon reduction achievements since 2016

- The Group's single energy provider, Planet First Energy, has produced about £1.6m of savings since its inception in 2016 via buying gains and cost avoidance measures.
- The construction business took delivery of its first HVO (Hydrotreated Vegetable Oil) fuel at one site, replacing the use of gas oil to power generators and mobile plant. The Group aims to eliminate gas oil for all plant across the business by 2025.
- Several electric vehicle charging points have been installed across the Group's sites. The Group is planning to transition the entire fleet to low- or zero-carbon vehicles.
- The Group has offset 7,244 t/CO₂ since 2016 through a wide range of certified schemes.



¹ Scope 1 emissions are direct emissions produced by the burning of fossil fuels by Wates. Scope 2 emissions are indirect emissions generated by the electricity consumed and purchased by Wates. Scope 3 emissions (limited to business travel) are indirect emissions produced by Wates activity but owned and controlled by a different emitter.

Wates Family Enterprise Trust

➔ For more info on Wates Family Enterprise Trust go to wfet.org.uk

Wates Family ENTERPRISE TRUST



The Wates Family Enterprise Trust (WFET) is an independent, UK registered charity set up by the Wates family in 2008, with an ambition to build communities and improve lives beyond tomorrow. Since its inception it has donated £14.3m to charitable activities.



Independent status

The independent status of WFET ensures it always strives to deliver the greatest impact and public benefit from its work. In 2020, the Wates Group made contributions totaling £825,000 to support the Trust's charitable giving.

Since 2018, WFET has focused on three principal areas: life opportunities for young people; housing and homelessness; and sustainability. More details of the Trust's work in these areas can be found on its website – www.WFET.org.uk

Wates Giving

Outside of this work, the Trust's other key ambition is to foster active citizenship. To this end, it runs the Wates Giving programme, which provides grants for projects in the communities where Wates staff live and work. Since it was established, Wates employees have raised over £1.5m to support more than 2,000 organisations, with Wates Giving boosting this contribution through matched funding.

Including Group awards, matched funding, awards to community projects and sports sponsorship, this year's awards total £167,129, demonstrating the continued commitment of Wates people to going

the extra mile to raise money for causes in which they believe.

Helping Wates' people help people

The pandemic has made 2020 a uniquely challenging year for fundraising. But despite the challenges, Wates Giving will have awarded more than £80,000 to local groups and charities identified by Wates employees.

“Wates could not be prouder that, in a year when times have been tough for everyone, our people have continued to give up their time and energy to causes they care about. They have used their imagination and generosity to make a difference wherever they have been able to do so.”

Andy Wates
Chairman, Wates Family Enterprise Trust

In any normal year, Wates Giving funds at least 100 employee-sponsored events, helping boost colleagues' fundraising efforts. After realising the effect that lockdown was having on fundraising, the

Trust decided instead to run a standalone campaign allowing employees to put forward a group they supported for a one-off £500 grant. Through the '100 for 500: Let's Get Giving!' campaign, Wates Giving has contributed £48,000 so far to causes chosen by its people.

Outside of this campaign, events undertaken by Wates employees in 2020 included a relay marathon, run by Vicki Thomas from the Wates Family Office in her back garden to raise money for NHS Charities Together, and a swim across the English Channel by Tim Garnett and five friends, which raised more than £20,000 for Aspire, a charity that supports people with spinal cord injuries.

By the end of the third quarter, WFET had also made contributions totalling more than £15,784 to match Give as You Earn donations made by Wates' staff, further demonstrating its commitment to communities and causes close to the hearts of employees.

The Trust was also proud to support Wates employees in their volunteering efforts to help those most in need. Christopher Dawes from Wates Construction applied to Wates Giving to assist with funding for the purchase of a hospital bed at East Anglia's Children's Hospice's new facility, 'The Nook', where he is a regular volunteer. The application was fully funded for £2,525.

Support during the pandemic

COVID-19 was, inevitably, a focus of many of employees' efforts this year. The Trust awarded £1,500 to assist MEP Lead

Construction Manager Gary McComb with a project producing and distributing visors to NHS and care home staff at the height of pandemic.

Aside from its work through Wates Giving, the Trust also made 15 awards totalling £83,000 to organisations identified by business units throughout the year.

These awards have helped projects up and down the country, from setting up a community bakery to upskill refugees in Middlesbrough, to furnishing flats for young care leavers in Southwark, South London.

This year, two of these awards were made to projects dealing specifically with the response to the initial coronavirus crisis and the spring lockdown. The Trust worked with Let Me Play to set up a fund to provide laptops or tablets to disadvantaged students who would otherwise have been unable to study because of school closures. Meanwhile, in Wales, the Trust provided much needed funding to support the sudden increase in demand at the Cardiff Foodbank.

The Conservation Volunteers

The pandemic has not shifted the Trust's focus from environmental issues and climate change. This year, a grant of £10,000 was made to support The Conservation Volunteers in its partnership with Wates Group. This award will enable the purchase of 5,000 trees to be planted by Wates employees in spring 2021 as part of both the Trust's and the overall Group's commitment to help build a greener, more sustainable world.

£14.3m to good causes since 2008

£825k contributed by Wates Group in 2020

Wates people raised over £1.5m, supporting 2,000+ organisations

£48k donated to 96 good causes through '100 for 500: Let's Get Giving!' campaign



Governance structure

Wates Group Board

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

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

Sir James Wates CBE | CHAIRMAN

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

Outside of the company, James is Chairman of the BRE (Building Research Establishment) Trust, Chairman-designate of the Institute for Family Business, and a Non-executive Director of Argent Services LLP. In 2018 he was appointed by the Government to chair the coalition group developing corporate governance principles for

large private companies (the so-called 'Wates Principles').

He has also served in the past as Chairman of the CBI Construction Council, Co-chair of Infrastructure Exports: UK, President of the Chartered Institute of Building, Chairman of the Construction Industry Training Board, and Co-chair of Build UK.

Sir James feels passionately that good business, well done, is a force for good for society. In 2012 he was awarded the CBE and in 2019 was knighted for services to business and to charity.



David Allen | CHIEF EXECUTIVE

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

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

Prior to entering the construction industry in 2004, David worked in Accenture's Strategy Consulting practice and HSBC Investment Bank's Corporate Finance & Advisory Division.

David began his career with Arthur Andersen's Tax Practice, is a Chartered Accountant and holds a degree in Modern History from St Peter's College, Oxford.



Jeremy Newsum | SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Jeremy Newsum joined the Wates Group Board on 1 September 2018. A Fellow of the Royal Institute of Chartered Surveyors, Jeremy retired in 2016 after spending over 25 years leading the executive team of the Grosvenor Estate. He holds non-executive roles at Trinity College, Cambridge and Cambridge Ahead. Previous non-executive roles include:

Chair of the Urban Land Institute; President of the British Property Federation; and council member of Imperial College, London. Jeremy became the Wates Group's Senior Independent Director on 1 October 2019 and is a member of the Remuneration and Nominations Committees.



Jonathan Oatley | INDEPENDENT NON-EXECUTIVE DIRECTOR

Jonathan (Joe) Oatley was appointed to the Board as a Non-executive Director in July 2017. He was formerly Chief Executive at Cape plc – a global FTSE listed company specialising in the provision of critical industrial services to the energy and natural resources sectors – for six years until 2018. Joe was previously Chief Executive of Hamworthy plc, a global oil and gas engineering business, which he joined in 2007 and led until its takeover by Wärtsilä in 2012. Joe is also a

Non-executive Director at Carclo plc, an international manufacturer serving the medical sector and Centurion Group Ltd, an international oil and gas services business. Prior to this, Joe spent most of his career in the engineering sector in a broad range of roles, including Managing Director, strategy development and acquisitions. Joe was appointed Chair of the Wates Remuneration Committee on 1 October 2019 and is a member of the Audit Committee.

Susan Harris | INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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



Timothy Wates | DIRECTOR

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

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

Outside of the company, he serves on the Advisory Board of the Cambridge

Judge Business School and is a Deputy Lieutenant of Surrey. He is a Non-Executive Director of Tampopo Limited and Pedder Property. For six years he was Chairman of the Coast to Capital Local Enterprise Partnership, completing his two terms in July 2020. He is also a trustee of The Clink Charity. He has an MBA from the University of Cambridge.

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



Andrew Wates | DIRECTOR

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

Andy chairs the Wates Foundation, an independent grant-making family trust that has been supporting the charitable and voluntary sector for almost 50 years.

Before joining Wates, Andy spent six years with Costain Construction and John Shreeves & Partners.

Outside of the company, Andy is active in the Institute for Family Business (IFB), serving as a member of the National Policy committee and Chair of the IFB South East Region. He has recently served as Chairman of the Construction Youth Trust, founded in 1961 to support young people who are facing significant barriers to education, training and employment.

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



Charles Wates | DIRECTOR

Charles (Charlie) Wates joined the Wates Group in 2005. He is founder and joint Managing Director of Needspace?, the company's managed workspace division, which now comprises a portfolio of seven properties across London and the South East. He joined the Board in 2011 and is also Chairman of the Next Generation Committee.

Before joining Wates, he was a chartered surveyor with over 10 years' experience in the

commercial property sector with firms including Jones Lang LaSalle.

Outside of the company, he is a member of the British Council of Offices and the British Property Federation. He is on the Board of Management, Estates Committee and Finance Committee of the Royal Alexandra & Albert School, and he is a governor of the Emanuel School.

Jonathan Wates | DIRECTOR

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

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

Outside of the company, Jonny holds a range of positions including: Vice Chair of Polaris – Family

Business Network International; an Advisory Board Member for the Centre for Climate Change and Social Transformations; a member of the Advisory Council of Commonland; a Trustee of Forum for the Future; an Associate at Leaders' Quest; and an Ambassador of the World Benchmarking Alliance.

He has an MBA from the Cranfield University School of Management and a master's degree in Sustainability and Leadership from the University of Cambridge.

He is passionate about encouraging biodiversity in the city to raise awareness of climate change, promoting community cohesion and creating a harmonious relationship between humanity and nature.



Philip Wainwright | CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

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

as a chartered accountant with Ernst & Young.

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

Paul Chandler | EXECUTIVE MANAGING DIRECTOR, WATES CONSTRUCTION GROUP

Paul Chandler joined Wates in 2017 as Managing Director of the Construction Group and joined the Group Board in 2018. He was appointed Executive Managing Director in 2020, with accountability for Construction and Wates Integrated Construction Services.

Before joining Wates, Paul was Executive Vice President at Skanska, having spent 35 years of his career there. During that time, he was involved in

landmark projects, such as the Gherkin and Heron Tower in London, as well as the Apple Campus in California.

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



Governance structure

Wates Executive Committee



David Allen*
CHIEF EXECUTIVE



Stephen Beechey
GROUP PUBLIC SECTOR DIRECTOR



David Brocklebank
EXECUTIVE MANAGING DIRECTOR, WATES DEVELOPMENTS



Helen Bunch
EXECUTIVE MANAGING DIRECTOR, WATES RESIDENTIAL



Paul Chandler*
EXECUTIVE MANAGING DIRECTOR, WATES CONSTRUCTION GROUP



John Dunne
GROUP SAFETY, HEALTH, ENVIRONMENT & QUALITY DIRECTOR



David Morgan
EXECUTIVE MANAGING DIRECTOR, WATES PROPERTY SERVICES



Simon Potter
GROUP COMMERCIAL DIRECTOR



Paul Rowan
GROUP HUMAN RESOURCES DIRECTOR



Philip Wainwright*
CHIEF FINANCIAL OFFICER

Governance
and accounts

Wates Group Limited

ANNUAL ACCOUNTS AND REPORTS FOR THE YEAR ENDED 31 DECEMBER 2020

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Directors and advisors

Directors

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

David O. Allen
(Chief Executive)

Philip M. Wainwright
(Chief Financial Officer)

Paul Chandler
(Executive Managing Director,
Wates Construction Group)

Susan E. Harris

Jeremy H. M. Newsum

Jonathan M. Oatley

Andrew E. P. Wates

Charles W. R. Wates

Jonathan G. M. Wates

Timothy A. D. Wates

Company secretary

Philip M. Wainwright

Independent auditors

BDO LLP
Chartered Accountants
and Statutory Auditors
55 Baker Street
London
W1U 7EU

Bankers

HSBC UK Bank plc
1 Centenary Square
Birmingham
B1 1HQ

Registered office and business head office

Wates House
Station Approach
Leatherhead
Surrey
United Kingdom
KT22 7SW

Telephone



01372 861000



Website

www.wates.co.uk




Strategic report

PRINCIPAL RISKS AND UNCERTAINTIES

	RISK AND MITIGATION	2020 ACTIVITIES
A. Health and safety	<p>The Group is involved in activities and environments that have the potential to cause serious injury to its stakeholders, or to damage property, the environment or the Group's reputation. It is reliant on a largely subcontracted workforce to operate to its high standards and procedures.</p> <p>The health and safety of all stakeholders is the Group's number one priority. In order to control risk and prevent harm, the Group is focused on demonstrating the highest standards of health and safety management. This is achieved by establishing robust health and safety procedures and ensuring that effective leadership, culture and organisational arrangements are in place. The Group monitors significant health concerns, maintaining contingency plans to manage its operations and respond proportionately to any emerging risks, whilst always ensuring the health of all its stakeholders with whom it interfaces.</p>	 <p>The overall trends in health and safety incidents have been consistently good. COVID-19 has clearly had a significant health impact and the Group has adopted Site Operating Procedures (SOPs) in line with government guidance. See 'COVID-19 and the Group's response' on page 8 for further details. Other actions have continued to address areas of risk, including additional working-at-height risk assessments, height protection plan reviews, manager briefings and toolbox talks. There have also been wider leadership briefings at various levels across the organisation. The Group continues to monitor mental health risks, wellbeing and fatigue.</p>
B. Economic and market risk	<p>Demand for the services of the Group is cyclical and may be vulnerable to sudden economic downturns, a lack of confidence in the housing market (impacting house prices and sales volumes) and the broader economy, reductions in government and private sector spending, unemployment, regulatory developments (including building and fire regulations) and increases in costs.</p> <p>The Group's strategic focus is on those market sectors in which a competitive advantage can be maintained and that have the most potential for profitable growth. To limit the impact of exposure to any one sector, the Group has diversified its product and service offering across different market sectors. Members of its leadership team participate in political, economic and regulatory forums to maintain effective working relationships with the Government and regulatory authorities.</p>	 <p>Economic and market conditions continue to be challenging due to COVID-19. The Group continues to monitor the potential impact that COVID-19 will have on the economy, including any consequential impact on house prices, unemployment and public sector spending.</p> <p>The business maintains close monitoring of the markets in which it operates. Currently, there is a particular focus on completing second stage bids successfully. The Group works for a wide range of public sector customers. This alignment to public sector organisations increases the resilience of the Group's pipeline of future work and continues to provide opportunities for future growth. Specific opportunities have been identified in market sectors such as Residential. Other sectors such as property maintenance have become more challenging.</p>

	RISK AND MITIGATION	2020 ACTIVITIES
C. Brexit transition	<p>The Trade & Cooperation Agreement (TCA) came into effect on 31 December 2020 and establishes the commercial and regulatory arrangements between the EU and the UK from the end of the Brexit transition period. The TCA provides for movement of goods between the UK and EU to be tariff- and quota-free. However, 'rules of origin' must apply where those goods are of EU/UK origin. The new Agreement also requires new customs procedures, VAT reporting and additional documentation. It is too early to assess with confidence the implementation of the TCA and its ramifications. There is a risk many of these arrangements may lead to delays in the shipment of goods across the UK's borders with the EU.</p> <p>The Group continues to monitor the impact of the TCA and the implications for its businesses. It has developed robust plans to respond to a range of potential scenarios. This included the impact of a 'no deal' at the end of the transition period. These scenario plans cater for changes in market conditions, complications with the movement and availability of the workforce, pressure on the supply chain, delays in the delivery of materials and components, changes in exchange rates and pricing impact of increased tariff and commodity costs. The Group has included specific Brexit protection clauses in its contracts where this has been possible. The Group has analysed the forward-order book and does not at present see a significant impact on current or future projects. Where necessary, it carries significant inventories on projects to mitigate potential delays in supplies and has a clear line of sight of its subcontractors' supply chain. The Group does not deliver any contract, projects or services to any other country in the EU.</p>	 <p>The Group's plans have been developed to reflect lessons learned during 2020. This has included rehearsing the potential impacts of a range of Brexit-related disruptions. The Group has prepared effectively to operate within the terms of the TCA.</p>
D. Competition	<p>The construction sector is highly competitive with low margins. If it does not compete effectively in its market sectors, the Group runs the risk of losing market share or trading unprofitably. Whilst service quality, capability, reputation and experience are considered in customer decisions, price often remains one of the determining factors in contract awards.</p> <p>The Group mitigates competitive risk by seeking to target projects where it has a competitive advantage and can manage effectively both costs and risks. The risk profile of every bid is assessed at the estimation stage to determine whether it is in line with the strategic objectives of the Group. The Group is highly selective at bid stage and will only take on work that it can deliver effectively and profitably.</p>	 <p>Competitive intensity has increased with some competitors accepting COVID-19 related risks to chase cash at the expense of margins. The duration of COVID-19 government support measures has been extended and the withdrawal of these measures may increase competitive pressures in 2021 by pushing down margins. The Group continues to be selective in the work it bids for and takes on.</p>

Arrows indicate changes to risk profile as a result of COVID-19.

	RISK AND MITIGATION	2020 ACTIVITIES
E. Project delivery	<p>Execution of projects involves professional judgement in estimating, planning, design and construction, often in complex environments. Each project could encounter difficulties that lead to cost and time overruns, lower revenues, litigation or disputes.</p> <p>The Group's activities are guided by an Operating Framework that mandates rigorous policies and procedures throughout the project lifecycle. These, combined with comprehensive management oversight, the risk management process, project reviews, independent internal and external audits, peer reviews and customer feedback, help mitigate the risk to successful project delivery. There is close scrutiny of the financial judgements made on projects and the Group takes a prudent view on the recognition of revenue and profit. It monitors significant external issues that could impact project delivery, such as Brexit, and maintains appropriate contingency plans.</p>	<p> Since COVID-19, project delivery is operating at a new level of 'normal', with a focus on safe productivity, drawing carefully on the experience that has been accumulated since the first wave of COVID-19. In some areas this has highlighted opportunities to improve efficiency. Customers continue to act pragmatically when collaborating with the Group to manage the commercial impact of necessary project extensions. There is an increased focus on traditional risk areas such as quality.</p>
F. Liquidity (financial risk)	<p>Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due and could affect its ability to invest, win work or pay staff and creditors.</p> <p>The Group manages liquidity such that it always has sufficient liquidity to meet its liabilities when they fall due. The Group continually monitors and stress tests its liquidity position. Funding arrangements are reviewed regularly and approved by the Group Board.</p> <p>The Group has access to a £120m Revolving Credit Facility that remains undrawn at 31 December 2020.</p>	<p> When the pandemic began, the Group maintained, but did not significantly increase, its investment profile. Since March 2020, there has been an increased focus on liquidity. During the year, the strength of the balance sheet has improved. The business secured an additional £50m line of credit under the Coronavirus Large Business Interruption Loan Scheme. There are various other re-financing options now available to the Group. In addition, many customers have continued to pay the business promptly. See 'Cash management' on page 70 in the Strategic report for further details.</p>
G. Appointing and retaining talent	<p>The success of the Group is dependent on being able to attract and retain people that have the necessary capability, character, experience and expertise. Competition for highly skilled and talented employees is significant.</p> <p>The Group seeks to offer market-competitive remuneration (which is reviewed regularly), excellent training and career development opportunities, and to be an attractive and engaging employer. The Group is an Investors in People Gold accredited employer.</p>	<p> People risks are elevated because of the pandemic due to changes to site procedures, the impact of working at home and consequential impact on colleague interaction, pressures and mental health. More emphasis is being placed on supporting the workforce, with flexible working arrangements and a re-evaluation of the Group's approach to remuneration. See People report on page 16 for further details.</p>

	RISK AND MITIGATION	2020 ACTIVITIES
H. Pension fund liabilities (financial risk)	<p>The Group carries a funding obligation for a defined benefit pension scheme. The pension fund liabilities could increase significantly, leading to increased pension deficit payments and, consequently, a reduction in capital to invest in the Group.</p> <p>The performance, risks and funding arrangements of the pension scheme are assessed regularly by the Group Board and the independent trustees of the pension scheme and their advisors. Investment strategies aim to limit the impact of increases in the liabilities and are well diversified, ensuring a reasonable balance of risk and return. The Group has committed to deficit funding payments to reduce the deficit.</p>	<p> Investment strategies were configured to limit the impact of increases in the liabilities from events such as COVID-19 and are well diversified, ensuring a reasonable balance of risk and return. COVID-19 had some limited impacts on investment value but only a modest impact on long-term gilt yields, which are substantially hedged.</p>
I. Systems, data, cyber security and GDPR	<p>A loss of the Group's key systems through a lack of resilience or an information security breach or attack, could impact the successful delivery of its projects and lead to a loss of confidential data, damaging its reputation and brand.</p> <p>Robust controls and procedures are in place to monitor the performance of the Group's systems and to identify and mitigate external threats. The Group is continually developing and upgrading its IT infrastructure, software and cyber threat and assessment capabilities. The Group continues to develop and enhance data protection procedures in line with regulations. The controls and procedures are subject to regular independent internal and external audit.</p>	<p> Although the cyber threat level has increased, with a high level of phishing attacks during the pandemic, the Group's systems, processes and controls have been robust to withstand these threats. The security operations centre (SOC) continues to provide an additional level of monitoring and support. The Group has strengthened its IT infrastructure and made significant investments in its systems. Infrastructure and support processes have adapted well to a changing working environment and there have been no significant changes to the control environment.</p>
J. The environment	<p>The sectors in which the Group works must, over time, reduce their impact on nature and the environment. This creates huge opportunities and challenges for the business. There is a risk that the Group's activities have a harmful impact on the environment and that the business is too slow to mitigate the accelerated pace of climate change, reducing competitiveness and the business' ability to attract and retain quality staff.</p> <p>Customers are increasingly expecting the business to demonstrate how it protects the environment and reduces its carbon footprint and waste. There is a risk that the right investment or resources, including through the supply chain, are not in place to meet the challenges from climate change.</p> <p>The Wates Group has committed to a series of bold, ambitious and deliberately stretching targets for creating zero harm to the environment and for having a positive impact on nature. These targets set out where the Group needs to be by 2025, outlining its commitment to eliminate harm to the environment and positively impact nature. These targets focus on achieving zero waste from Wates operations, zero carbon from Wates operations and commercial vehicles and achieving a positive impact on nature from operations by 2025.</p>	<p> The Group's environmental plans were launched in 2020 with the aim of achieving stretching targets in 2025.</p> <p>The pandemic slowed progress against these targets. There has, for example, been an increased use of single-use materials, such as PPE and disposable cups, to combat the spread of infection.</p> <p>However, there have been COVID-19 related drops in emissions, as a result of a significant reduction in travel, as well as a fall in energy and water consumption because the Group's non-site offices were closed for several months.</p> <p>See Streamlined Energy and Carbon Report (SECR) on page 56 for relevant environmental metrics.</p>

Arrows indicate changes to risk profile as a result of COVID-19.

Strategic report

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

Group performance

In 2020, the Group performed well in extremely challenging circumstances. Group turnover, including the Group's share of joint ventures' and associates' turnover, fell by 11.3% to £1.45bn (2019: £1.63bn). Total operating profit including exceptional items and before interest and tax fell to £4.6m (2019: £39.0m). The overall operating margin including exceptional items fell to 0.3% (2019: 2.4%). Profit before tax including exceptional items (and before tax of joint ventures and associates) of £1.7m (2019: £36.2m) was down 95.3% on the previous year.

In order to provide users with a clear and consistent presentation of the underlying financial performance of the Group, it

has separately identified items that are considered to be exceptional because of their size or non-recurring nature:

- Government grant income of £7.7m (2019: £nil) received under the Coronavirus Job Retention Scheme in respect of furloughed employees
- Furlough costs of £12.5m (2019: £nil) consisting of salary costs paid to staff whilst on furlough who were therefore not performing any services for the Group
- Restructuring costs of £6.7m (2019: £nil) consisting of the costs of redundancy associated with the Group's redundancy programme

Underlying operating profit before interest and tax was £16.0m (2019: £39.0m). Underlying operating margin was 1.1% (2019: 2.4%) and underlying profit before tax (and before tax of joint ventures and associates) was £13.1m (2019: £36.2m).

The Group's underlying EBITDA fell by £22.7m to £26.1m (2019: £48.8m).

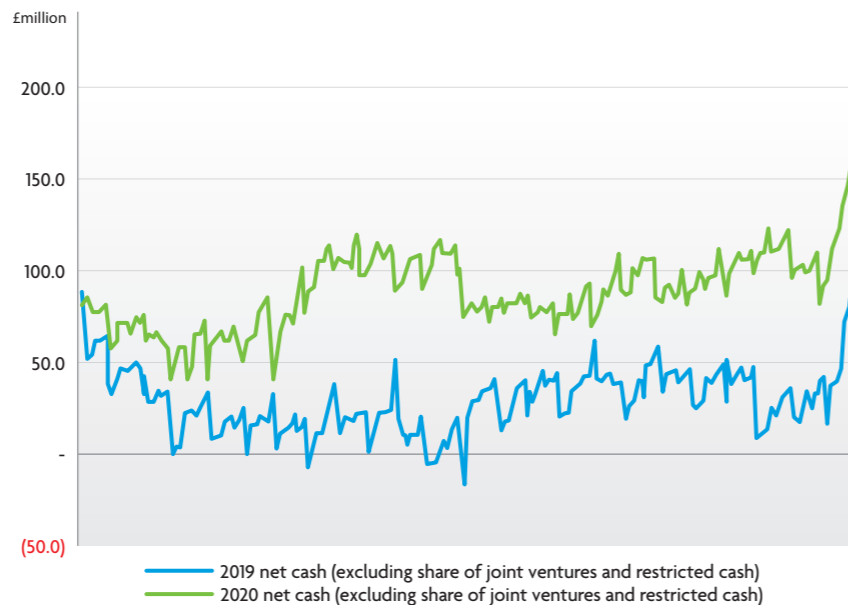
The forward-order book increased by 13.5% and finished the year at £6.6bn (2019: £5.9bn).

The Group's statutory profit before tax fell to £0.8m (2019: £34.6m) with statutory turnover of £1.38bn (2019: £1.55bn).

A list of key performance indicators is included on page 2.

Cash management

As illustrated in the adjacent graph, the Group maintained a strong cash position throughout the year. The Group's average daily gross cash balance during the year, excluding cash held in joint ventures and restricted cash, was £166.9m (2019: £71.0m). The Group's average daily cash balance (net of debt and excluding cash held in joint ventures and restricted cash) during the year was £88.0m (2019: £29.5m). The Group finished the year with cash at bank of £215.9m (2019: £142.2m) including £4.3m of restricted cash (2019: £4.9m). The Group has in place a revolving credit facility of £120m (£120m undrawn at 31 December 2020), which expires in March 2023 and a Coronavirus Large Business Interruption Loan Scheme facility of £50m with the Group's existing lenders, which was fully drawn at 31 December 2020 and which expires in October 2023. In March 2020 the business drew the balance of its Revolving Credit Facility (RCF) on a precautionary basis. The entire £120m of this RCF was repaid by the end of October 2020 but remains



available. The Group has no other external financing debt. The Group ended the year with net cash of £161.6m (2019: £110.3m). The Group has used the Government's VAT Deferral New Payment Scheme and at the end of the year owed £21.7m,

which will be repaid in equal instalments between 30 April 2021 and 31 March 2022. Wates Group Limited (the company) undertakes a trade in finance by offering services to the Group and controlling and managing bank facility arrangements.

Cash flow

Inflows from Group operating activities of £52.2m (2019: £64.0m) and amounts received from joint ventures of £23.3m (2019: £23.7m) were partially offset by amounts paid to

joint ventures of £14.2m (2019: £40.0m), purchase of fixed assets of £3.1m (2019: £11.2m) and dividends paid of £7.4m (2019: £10.4m).

The inflow from Group operating activities is after deficit funding contributions to the pension fund of £8.4m (£2019: £9.1m).

Construction Group

The Construction Group comprises both Wates Construction and SES, the Group's mechanical and electrical subcontracting business. Construction Group turnover, including its share of joint ventures, was £808.3m (2019: £922.7m), 12.4% down on 2019.

Prior to the pandemic, Wates Construction was forecasting strong growth into 2020. When the pandemic hit in March the business worked quickly and efficiently with all stakeholders to review and revise site operating procedures. These revised procedures meant that 97% of sites were closed for less than three days and this work, combined with a relentless focus on productivity, has allowed the business to continue to deliver for customers whilst consistently meeting the requirements of evolving government coronavirus advice.

For SES, 2020 began with a continuation of the previous year's strong underlying performance. The key areas of focus were efficient operational performance, the ongoing reduction of overheads and driving profitability while delivering a sustainable level of turnover. However, despite quickly evolving its operating procedures the subsequent impact of the pandemic has led to reduced turnover as COVID-19 delays impacted the third-party sites where SES were working.

Across all of the Construction Group, the challenges posed by COVID-19 have highlighted the strength and resilience of its people as well as the quality and depth of its relationships with both customers and supply chain. Work-winning activity has continued throughout the pandemic with an order book set to drive strong future turnover growth. The Group has also maintained its cash balance and posted excellent profits in the year. The business has also evolved significantly during the pandemic. The better use of

technology, the lessons learned from the focus on productivity, the environment and its people means the Group now has plans in place to permanently adapt its working practices to better fit the needs of its employees, customers and supply chain as it moves forward into 2021 and beyond.

Residential

Turnover for Residential, including share of joint ventures, increased by 21.1% to £153.4m (2019: £126.7m). Residential works continued on behalf of its public sector partners to deliver planning for development on publicly owned brownfield sites, including in 2020, strategically important sites in Harrow, Havering, Cardiff and Lee-on-the-Solent. In 2020, planning permission was achieved for 254 residential units (2019: 1,077) with decisions pending in relation to applications for a further 1,700 units (2019: 218). House building through joint ventures and public sector collaborations delivered 173 completions (2019: 290) from 20 active sites (2019: 17). Across these sites, there are 509 properties (2019: 612) still to be completed. The business also operates as a contractor for public sector customers and has worked on residential projects in the year containing 776 residential units (2019: 240).

Developments

Turnover for Developments, including share of joint ventures, fell by 37.3% to £64.9m (2019: £103.6m). The business controls 4,343 acres (13,601 plots) of privately owned land (2019: 4,277 acres, 13,730 plots) on which it seeks to obtain planning permission for residential development. In 2020, planning permission was achieved on no residential units (2019: 63) with decisions pending in relation to applications for a further 5,339 units (2019: 3,257).

In addition to three land transactions (2019: four), house building through joint

ventures delivered 374 completions (2019: 493) from 15 active sites (2019: 14). Across these sites, there are 1,784 properties (2019: 2,130) still to be completed.

Property Services

Wates Property Services consists of the Living Space, Facilities Management and Smartspace business units. Turnover, including its share of associates' turnover, was £419.0m (2019: £476.9m), 12.1% down on 2019, reflecting the impact of the pandemic on the business.

Living Space and Smartspace experienced the greatest impact from the pandemic, with many customers in both social housing maintenance and fit-out postponing works during the first lockdown in the second quarter of 2020. Living Space is now operating at budgeted levels of activity, whilst Smartspace continues to see a reduction in new opportunities. The Facilities Management business has been least affected by the crisis, with most activities continuing as normal.

The business reacted quickly to the pandemic, rapidly reducing its cost base and adapting to new ways of working. With established leadership in place, all business units remain resilient with a strong forward-order book of £1.47bn.

Needspace?

Needspace? provides flexible serviced office space to small and medium-sized entities from seven centres across London and the South East. In December 2020, an external valuation of the portfolio suggested that its value had reduced by £2.5m (to £51.0m in total). During 2020, an average of 92,924 square feet (2019: 104,226 square feet) of floor space was occupied, being 74% (2019: 83%) of available space.

Pensions

The defined benefit pension scheme, which is closed to future accrual, has been valued in accordance with FRS102. At 31 December 2020, the pension scheme had a deficit (net of deferred tax) of £17.7m

(2019: £19.7m). The reduction in the deficit was primarily the result of contributions from the Group. The market value of the scheme's assets was £323.5m (2019: £287.2m) and the net present value of the liabilities

was £345.3m (2019: £311.0m). There was an actuarial loss in the year of £6.3m (2019: £1.8m). Pension charges of £0.2m (2019: £0.6m) were made to the profit and loss account in accordance with FRS102.

SECTION 172 COMPANIES ACT 2006 STATEMENT

Shareholders' funds

Shareholders' funds fell by 6.8% to £142.0m:

	£m
Shareholders' funds at 31 December 2019	152.4
Profit for the financial year	1.5
Pension movements	(4.6)
Dividends	(7.4)
Currency translation difference	0.1
Shareholders' funds at 31 December 2020	142.0

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 £0.1m (2019: £8.0m), which gave an effective rate of 7.9% (2019: 22.0%). This compares to the UK mainstream corporation tax rate of 19%. The current year tax charge is less than the UK mainstream corporation tax rate due to short-term differences.

Dividends

Dividends of £7.4m (2019: £10.4m) were declared in 2020 in respect of 2019 performance and paid on 27 March 2020 (2019: 8 April 2019 and 11 November 2019). No dividends will be declared in respect of the Group's performance in 2020. The Group anticipates that dividends will be paid in respect of the Group's performance in 2021.

Wates Giving

The Group continued to contribute to Wates Giving, the charitable programme of the Wates Family Enterprise Trust (WFET). In 2020, this support amounted to £0.8m (2019: £1.5m). WFET's focus themes are: life opportunities for young people, housing and homelessness and sustainability.

This report sets out how the directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2020.

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. Obviously, stakeholders are impacted by, or benefit from, decisions made by the Board in different ways. However, it is the Board's priority to ensure that the directors have acted both individually and collectively in the way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs a–f of Section 172 of the Companies Act 2006.

Long-term strategy and vision

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

During much of 2020, the Board's focus has been primarily on the Group's response to the pandemic (see 'COVID-19 and the Group's response' on pages 8–15). The Board convened outside of the regular meeting schedule on 14 occasions to consider the Group's response to the risks and opportunities created by the pandemic. The Executive Committee also met on 20 additional occasions to consider the Group's response to the pandemic.

The Board has been involved in negotiations with the Pensions Trustee on both investment strategy and future deficit repair contributions. The negotiations have focused on finding the appropriate balance between funding the

deficit within the next six years whilst ensuring that the business has the capacity to maintain financial resilience and invest in opportunities that will generate cash, profits and reserves in the future. The negotiations progressed satisfactorily and resulted in future annual contributions remaining constant at the same time as de-risking investment risk.

The Board annually approves an updated strategic plan (most recently the 2021 to 2023 strategic plan) 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 construction industry, as well as the evolving economic, political and market conditions. In January 2020, the Group launched its environmental campaign setting out its sustainability ambitions (see page 48 for further details) and will continue to consider its response to climate change and biodiversity loss. The Board established a list of strategic priorities that are to be addressed by management throughout 2021. The Board will monitor and guide progress against these priorities during 2021.

Some specific 2020 outputs have included the reorganisation of the Group to intensify its focus on the opportunities that lie ahead. Smartspace has become part of Property Services, giving that division greater critical mass. Residential has become a standalone business unit (with leadership representation on the Executive Committee) to help the Group prioritise and strengthen its relationships with key public sector customers. SES, Wates Building Services and Prism were being brought together to form Wates Integrated Construction Services, which will help drive and coordinate the Group's efforts to integrate its delivery capabilities (including through modern methods of construction). Developments will invest in new house building joint ventures, in its Development Agency Services offering, and in its new Partnerships business, which will allow the Group to participate in the entire lifecycle of projects from land acquisition through to the maintenance of the assets it creates.

The strategy meetings also gave the Board the opportunity to determine where the Group's available capital should be invested. Investments will be made in

the businesses detailed above in a way that balances expected returns and the risks caused by changing economic and market conditions.

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

EMPLOYEES

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
<ul style="list-style-type: none"> Group annual roadshow led by the Chief Executive (the roadshow was conducted virtually in 2020) Biannual employee survey Site and office visits by shareholders, directors and members of the Executive Committee Video content from the family and executive directors Group-wide newsletters and emails Social media channels Intranet blogs Group leadership calls for messaging cascaded to workforce Webinars (including 'Inclusion Month') Emails from the Chief Executive 	<ul style="list-style-type: none"> Announcement of enhanced family leave policies, signalling the intent to be an inclusive employer Communication on approach to flexible working and office closures (in line with government guidance) Communication providing information about the actions the Group is taking to become more inclusive, diverse and anti-racist To ensure the long-term success and prosperity of the Group the Board had to make some challenging decisions around furlough, temporary pay cuts (that have subsequently been repaid), redundancies and a reduction in agency staff. These decisions protected jobs for many of the Group's employees. The pay of all furloughed staff was topped up by the business to a minimum of 70% of their full salary. Pay rises approved from April 2021 	<ul style="list-style-type: none"> 'COVID-19 and the Group's response' on pages 8–15 'People' on pages 16–17

CUSTOMERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
<ul style="list-style-type: none"> Regular customer engagement surveys by external companies Meetings (either face-to-face or virtually) Contract negotiation, ongoing management, site visits etc. Indirect engagement through the Group website, social media interaction, project reports and marketing materials Communication about changes to legislation (e.g. Domestic Reverse Charge VAT) Quarterly newsletter 	<ul style="list-style-type: none"> Review by the Board of Net Promoter Score (NPS) survey outcomes on a monthly basis to monitor progress in improving customer engagement Positive feedback received from customers (e.g. on the Group's work at The Royal London Hospital extension) Regular, effective and collaborative communication with customers about the Group's efforts to mitigate the effects of the pandemic on their projects and contracts Delivering safely, to a high quality, on time and in line with contractual requirements 	<ul style="list-style-type: none"> 'Healthcare case study' on page 20 'Cash management' on page 70 in the Strategic Report

SUPPLY CHAIN

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
<ul style="list-style-type: none"> Dedicated team responsible for supply chain relationships 'Meet the buyer' events Email bulletins to suppliers (including changes in regulations) Health and safety training Supply chain workshops Meetings (either face-to-face or virtually) Contract negotiation, ongoing management, site visits etc. Indirect engagement through the Group website, social media and project reports 	<ul style="list-style-type: none"> Supporting partners through changes in regulation (e.g. Domestic Reverse Charge VAT) The Group's consistent approach with its supply chain over many years, put it in a good place to respond effectively to COVID-19. The Group implemented improved site communications, health and safety and amenities in response to COVID-19 Compliance with the Prompt Payment Code, ensuring that at least 95% of invoices are paid within 60 days 	<ul style="list-style-type: none"> See 'Principle 6 – stakeholders' on page 78

FINANCIAL INSTITUTIONS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
<ul style="list-style-type: none"> The CFO and treasury function meet regularly with banks and providers of bonds Presentation of annual budgets and strategic plans Quarterly performance reporting 	<ul style="list-style-type: none"> Financial institutions gain a stronger understanding of the Group's performance and operations Approval and draw down of £50m additional funding through the Coronavirus Large Business Interruption Loan Scheme Ongoing covenant compliance and strong average daily net cash of £88.0m (2019: £29.5m) 	<ul style="list-style-type: none"> 'Cash management' on page 70 in the Strategic report

COMMUNITIES AND ENVIRONMENT

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
<ul style="list-style-type: none"> Local community events (e.g. 'Meet the buyer') Focused expenditure with social enterprises (SEs) Direct engagement through membership of the Considerate Constructors Scheme Support of charitable programmes Member of UK Green Building Council (UKGBC) 	<ul style="list-style-type: none"> In 2020 the Group spent £7.6m on SEs, taking the cumulative spend to £29m. Since the engagement with SEs began in 2007, over £51m of social value has been created. The Group launched its social value strategy 'Creating Opportunities' The Group continued to contribute to Wates Giving, the charitable programme of the Wates Family Enterprise Trust. In 2020, this support amounted to £0.8m (2019: £1.5m) taking the total amount given since 2008 to £14.3m. Information on the Group's environmental strategy and engagement campaign and environmental impact can be found on page 48 Wates can shape best practice in the industry and influence national and local policy on climate change in the built environment Creating jobs locally and engaging in local communities where the Group works Supporting young people into the workplace 	<ul style="list-style-type: none"> 'Sustainability report' on pages 44–53 'Wates Family Enterprise Trust' on pages 58–59

SHAREHOLDERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
<ul style="list-style-type: none"> The Group interfaces with shareholders through away days, corporate events, 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) Preparation of the annual report helps shareholders understand the business and the performance in the year 	<ul style="list-style-type: none"> The directors have a regular dialogue with its members, through both the members of the Board and other shareholders, enabling them to establish the issues most important to them Strategic plan agreed for 2021-2023 The reorganisation of the Group in 2020 focused on opportunities that meet the long-term requirements of the shareholders 	<ul style="list-style-type: none"> See 'Corporate governance report' on pages 76–80

Standards of business conduct

The Board is keenly aware of the need to maintain high standards of business conduct. Sir James Wates (Chairman), on behalf of the Secretary of State for Business, Energy and Industrial Strategy, chaired an industry group on corporate governance for large privately owned companies in 2018.

The Group has a strong ethical culture, underpinned by its purpose, behaviours and its Code of Conduct. The Code of Conduct sets out the standards that all employees of Wates must follow.

The directors take very seriously their responsibility to ensure the Group is a good corporate citizen. Business creates wealth that, through taxes, delivers the investment which, if properly managed by politicians, leads to a fairer and more prosperous society. In 2020, 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 £106.9m (2019: £161.2m).

The Group accessed funding of £7.7m through the Coronavirus Job Retention Scheme in respect of furloughed employees. The Group is proud of the part it plays in the industry's contribution through its economic activity.

The Board has also approved the Group's policies on anti-slavery and human trafficking and anti-bribery and corruption (which can all be found on the Group's website www.wates.co.uk). The Board has also considered the data, and narrative, relevant to the Group's gender pay reporting in preparation for external publication, including proposed improvement plans to enhance performance.

Approved by the Board of Directors on 9 March 2021 and signed on its behalf by:

Sir James G. M. Wates CBE
Chairman

D. O. Allen
Chief Executive

	Notes	2020 £000s	2019 £000s
Taxes paid in the year (note 1)			
Taxes borne by the Wates Group			
Corporate income tax (receipts)/payments		(334)	6,204
Employment-related taxes	2	27,185	29,480
Other taxes	3	5,211	5,715
		32,062	41,399
Taxes collected for HM government (in addition to taxes borne above)			
Employment-related taxes	4	59,771	67,046
VAT	5	15,064	52,740
		74,835	119,786
Total tax contribution (taxes generated by the Group from Wates Group activity)			
		106,897	161,185
Government grant income received	6	(7,727)	-
Total tax contribution (taxes generated by the Group from Wates Group activity) net of government grants received			
		99,170	161,185

Notes

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

Corporate governance report

For the year ended 31 December 2020, under The Companies (Miscellaneous Reporting) Regulations 2019, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2019 and available on the FRC website). The following paragraphs summarise how the Group has applied the principles over the past year.

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

Principle 1 – purpose and leadership

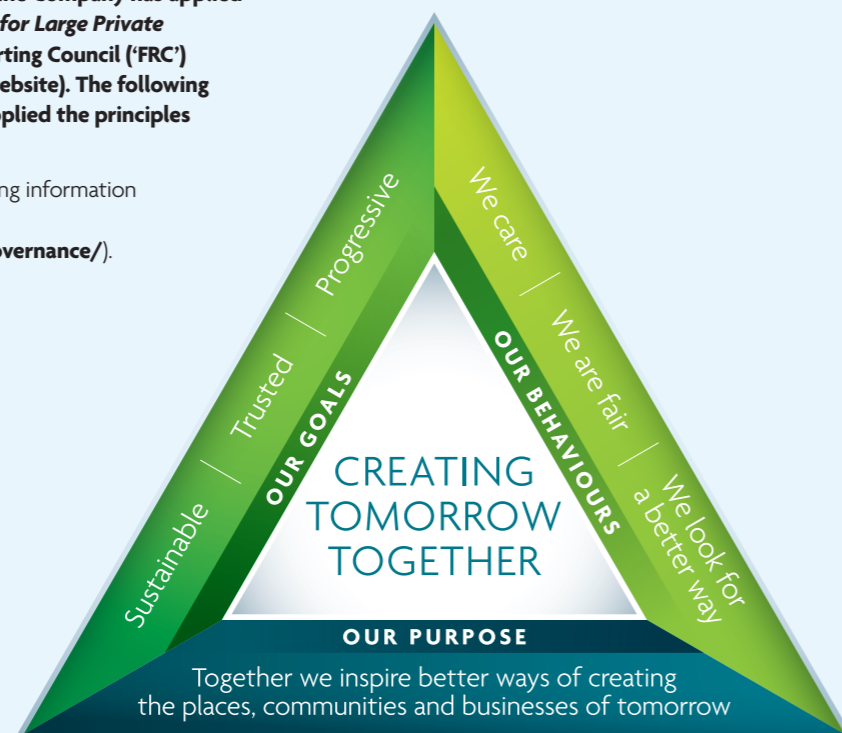
The Group continues to be governed by the Guiding Framework 'Creating Tomorrow Together', which defines its purpose, goals and behaviours.

The focus of the Board during much of 2020 has been on the Group's response to the pandemic – see page 8 for further details. The goal of being "trusted" is about ensuring that the Group has a reputation as one of the most trusted businesses anywhere, that it invests in its people and supply chain, that it treats them fairly and that it manages its risks and delivers its promises, safely, on time, at the right quality and without financial surprises.

To drive the Group towards achieving its goal of becoming more 'progressive', a new diversity and inclusion plan was introduced in 2019. In October 2020 the Group celebrated its first 'Inclusion Month', which kick-started an organisation-wide conversation on inclusion and helped raise awareness of the everyday actions that help and hinder inclusion. This was supported by some excellent events that were organised by the Group's Inclusion and Diversity team.

The Group is committed to having a workforce that more accurately reflects society, and despite the distraction caused by the pandemic, is making progress against the challenging targets it set to achieve this by 2025:

- 40% Female (2020: 22%)
- 20% BAME (2020: 11%)
- 3% Disability (2020: 1%)
- 5% LGBTQ+ (2020: 1%)



In 2020 the Group announced a complete overhaul of its family-friendly policies, which now offer a number of industry-leading benefits. Paternity leave has been increased to eight weeks full pay and maternity leave has been increased to 26 weeks full pay (and a further 26 weeks Statutory Maternity Pay). The Group has also introduced carers' leave, ensuring staff can take up to four weeks unpaid leave in a year, and bereavement leave at two weeks full pay if one of its employees loses a member of their immediate family. The new policies will help attract and develop a diverse workforce with an inclusive mindset, as well as helping to close the gender pay gap by enabling more sharing of responsibilities at work and home.

As part of the Group's drive to become more 'sustainable', the Group has set targets as part of its environmental strategy and engagement campaign – these are discussed in detail within the 'Sustainability report' on page 48.

In November, the Group launched its social value strategy which will steer

the next five years of its community investment and engagement. The strategy 'Creating Opportunities' aims to:

- Challenge inequality;
- Inspire and educate young people about careers in the built environment; and
- Support and scale the social enterprise sector.

Wates is driven by its purpose of working together to inspire better ways of creating the places, communities and businesses of tomorrow. Delivering social value is intrinsic to that purpose and to its goal of being a progressive and responsible employer. By considering social value in its business decisions, including the way it employs staff, engages with communities and buys products and services, it can cultivate a more sustainable and inclusive society, and demonstrate that business done well can be a force for good. This social value strategy is rooted in the Group's belief that how it does business is as important as what it does.

Principle 2 – Board composition

The Board comprises a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are maintained effectively, as well as a Chief Financial Officer, Executive Managing Director Wates Construction Group, three independent non-executives and five family members (including the Chairman). This size and composition is appropriate to the Group's large yet focused business. Independent non-executive directors bring experience in property development, engineering, finance and audit, in addition to perspectives and challenge from outside the sectors in which the Group operates.

The directors acknowledge that there is a relative lack of diversity on the Board, in particular when compared to the diversity and inclusion targets that were approved by the Board in 2019. The Board is committed to developing a more diverse workforce, including at the most senior levels.

The most recent formal effectiveness review of the Board (by an independent external advisor) took place in 2019. The review assessed that the Board was competent and well run and had the potential to become even more effective by clearly aligning its agenda to strategic development, encouraging all directors to share their thoughts, observations and instincts for the benefit of all, and engaging the whole Board more routinely in the active management of investor relations. The Board has been mindful of these findings during the year as it responded to the pandemic. A formal review is planned for 2021.

A biography for each Board director can be found on the Group's website www.wates.co.uk/who-we-are/ and on pages 60–62.

Principle 3 – Director responsibilities

The Board has a programme of eight principal meetings every year, plus an additional day for strategic planning. As part of every Group Board meeting, the governance of the Group is included as a standing agenda item. The Board's key areas of focus in 2020 are noted in the 'Section 172 Companies Act 2006 report' on pages 72–75.

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

In response to the pandemic, the Group heightened its focus on cash management through weekly meetings attended by various members of the Executive Committee and senior members of the finance team. On a precautionary basis, it determined that it would be prudent to draw down the Revolving Credit Facility in full (for six months) and to investigate the potential for accessing loan funding via the Coronavirus Large Business Interruption Loan Scheme. The Board regularly reviewed the Group's cash flows, whilst considering potential downside scenarios, and deemed it appropriate to access the available funding to further support the strong levels of financial resilience. The Revolving Credit Facility was repaid in full in October 2020 as it was not required and this facility remains undrawn as at both 31 December 2020 and the date of this report. The Coronavirus Large Business Interruption Loan Scheme facility of £50m was fully drawn in October 2020 and remains fully drawn at both 31 December 2020 and the date of this report. At no point did the Group foresee a breach in its banking covenants.

The Board approves an updated strategic plan for at least the next three years on an annual basis. For details of the output of the strategic plan see the Section 172 Companies Act statement on page 72.

To support good governance the Audit Committee regularly reviews the relationship with the external auditors and has a policy that, at least every 10 years, the external audit will be considered for re-tender. The Group commenced a tender process in 2019 that resulted in BDO LLP becoming the statutory auditors. The Board will recommend reappointment of BDO for 2021.

Principle 4 – opportunity and risk

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

In previous years, the Group had an active Risk Committee, consisting of Executive Committee members and business unit and functional leads, which ensured that inherent and emerging risks were identified and managed appropriately and in a timely manner. In 2020, the Group made an active decision to disband this committee as it was deemed more appropriate for this responsibility to be managed directly by the Executive Committee. This was, in part, due to the heightened risk that came from the COVID-19 pandemic as well as the Brexit transition. Day-to-day risks are managed by the Business Unit Boards and then consolidated and reported through the Executive Committee to the Group Board.

The focus of the Executive Committee and Board has been considering the risks, mitigations and opportunities associated with the pandemic and the Group's response to it. They have focused on ensuring the Group could continue to operate through the pandemic, reviewing site operating procedures, ensuring colleague welfare, health and safety and working with the supply chain to handle pandemic and Brexit uncertainties. They have had to manage the impact on the Group's financial performance of lower

levels of activity, revised customer needs and expectations, of unbudgeted items, such as the costs of the Group-wide redundancy programme, the net costs of furloughing staff (whilst subsidising a proportion of their pay) and the additional financing costs associated with drawing down bank funding on a precautionary basis. The Executive Committee (as delegated by the Board) also considers risks as part of the day-to-day management of the business. These risks are discussed further on pages 66 to 69.

The introduction of the Wates Corporate Governance Principles for Large Private Companies has highlighted a need for the Executive Committee to focus on opportunities as well as risks, and this has now been incorporated into the monthly Committee meetings. Some of the opportunities that have been considered include leveraging the Group's extensive frameworks, additional investment opportunities, maximising the integration of the Group's delivery capabilities, cost rationalisation, and the potential impact of the Group's diversity and inclusion, social value and carbon reduction plans.

Principle 5 – remuneration

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

The impact of the pandemic had an immediate significant financial impact on the Group's performance. To respond to this, the Board implemented several measures that impacted the remuneration of the workforce, including temporary pay cuts (April to June) and the suspension of pay rises that were intended for the second quarter of the year. Temporary pay cuts were reimbursed to non-furloughed employees who were still employed by the business in February 2021

and the suspension of pay rises has been lifted. These are discussed within the 'Section 172 Companies Act 2006 report' on pages 72–75.

The Group engaged an external reward specialist in 2018 to advise on the restructuring of its Executive incentive arrangement. This scheme was successfully implemented in 2019. Due to the financial results of the Group, the Remuneration Committee recommended that no bonuses would be paid in respect of 2020 performance. The directors' remuneration is disclosed on page 99 (note 6).

In 2020, management's focus has been on a second phase of the remuneration review with the aim of ensuring that the principles of the Executive incentive arrangement are applied to the wider employee population. Despite the delays caused by the pandemic, this review has established a set of fundamental principles that will be adopted for 2022 and beyond. The Group will be operating under its existing remuneration arrangements for the wider employee population in 2021.

The Group continues to publish its gender pay reporting externally. The diversity and inclusion plan includes changes that should lead to improvements in this area.

Principle 6 – stakeholders

The Board is clear that good governance and effective communication are essential on a day-to-day basis to enable the business to fulfil its purpose and to protect the Company's brand, reputation and relationships with all its stakeholders including shareholders, customers (including government), employees, suppliers, financial institutions and the communities in which it works.

The health and safety of the Group's employees (and other stakeholders) remains its number one priority and the directors review the performance in this area at each scheduled meeting. The Board's commitment to creating a sustainable

zero-harm working environment has resulted in an industry-leading performance for four consecutive years.

The Group continues to publish data evidencing its payment performance as part of the duty to report on payment practices and performance. The speed with which contractors pay their suppliers is a key area of focus within the construction sector. One of the key metrics is the number of invoices paid within 60 days. The Prompt Payment Code requires members to pay at least 95% of invoices within 60 days. The Group predominately trades through two statutory entities that operate as a main contractor and report their payment performance externally. For the six-month period ending 31 December 2020, Wates Construction Limited has paid 97% of its invoices within 60 days (H2 2019: 96%) and Wates Property Services Limited has paid 98% of its invoices within 60 days (H2 2019: 94%).

Additional activities oriented towards ensuring strong relationships with stakeholders are detailed in the Section 172 Report on pages 72–75.

COMMITTEE INFORMATION

2020 has been a year that has required significant stakeholder engagement as many of the decisions made by the Board have had direct implications on its stakeholders and in particular on its employees. Stakeholder engagement is discussed in detail within the 'Section 172 Companies Act 2006 report' on pages 72–75.

The role of the Board

The Board's primary responsibility is to promote the long-term success of the Group so it can create sustainable shareholder value and contribute to society. The successful delivery of the long-term plans relies on key inputs and positive relationships with a wide range of stakeholders. The Board seeks to achieve this by setting out its strategy, monitoring performance against the Group's strategic objectives and reviewing the Executive Committee's implementation of the strategy.

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

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

Group Board

Details of individual directors' attendance of Board meetings in 2020 are shown in the following table:

Name of director	Maximum no. of Principal Board Meetings director could attend	No. of Principal Board Meetings director attended	Percentage of Principal Board Meetings attended
Chairman			
Sir James Wates	8	8	100%
Executives			
David Allen Chief Executive	8	8	100%
Philip Wainwright Chief Financial Officer	8	8	100%
Paul Chandler Executive Managing Director Wates Construction Group	8	8	100%
Non-executives – family			
Andrew Wates	8	8	100%
Charles Wates	8	8	100%
Jonathan Wates	8	8	100%
Timothy Wates	8	8	100%
Non-executives – independent			
Susan Harris	8	8	100%
Jeremy Newsum	8	8	100%
Jonathan Oatley	8	8	100%

In 2020 the Group Board convened an additional 14 times following the outbreak of the coronavirus crisis in March to discuss and provide guidance on management's response to the crisis and to support and approve the implementation of protective measures in the interest of the Group and its wider stakeholders.

Audit Committee

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

The Committee has clearly defined terms of reference, which are reviewed annually and maintained by the Company Secretary. These outline the Committee's

objectives and responsibilities relating to financial reporting, internal controls, risk management and the application of appropriate accounting standards and procedures. Specific responsibilities include reviewing and recommending for approval the annual financial statements, reviewing the Group's accounting policies, reviewing the effectiveness of internal controls, internal audit and risk management processes and reviewing the scope and results of the external audit.

Susan Harris, a chartered management accountant, is Chair of the Audit Committee and during the year the Committee comprised two other non-executive directors: Timothy Wates, a director of the Wates family; and Jonathan Oatley, an independent non-executive director. 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 2020 followed the principles of good governance in relation to their collective skills, knowledge and experience.

External auditors

The Group appointed BDO LLP as external auditors on 1 November 2019. The Committee assesses the effectiveness of the external auditors' performance after completion of the annual audit plan including assessment of their governance, independence and professionalism. In July 2020 the Committee evaluated the external auditors' performance in relation to the 2019 audit. Both management and the external auditors are committed to a positive working relationship that enhances the effective and efficient execution of the audit plan. The Audit Committee identifies re-tendering of the external audit service at least every 10 years as good practice.

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

Remuneration Committee

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

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

In 2020, the Remuneration Committee comprised three non-executive directors and was chaired by Jonathan Oatley. Members of the Committee during the year included Jeremy Newsum, Independent Non-Executive Director and Andrew Wates, a director from the Wates family.

Nominations Committee

The Board operates a Nominations Committee to ensure that the Board remains balanced and effective, that succession plans are in place, and that its structure, composition and skills remain aligned to the Group's strategic objectives. The Committee's primary objective, when necessary, is to identify and evaluate candidates for future appointments and, in doing so, it takes advice from independent external recruitment consultants. In 2020, the Committee comprised non-executive directors under the chairmanship of James Wates, including Jeremy Newsum, who is considered independent, and Timothy Wates, who is a director from the Wates family. The Committee has no formal schedule of meetings and meets as required.

Sustainability Committee

The Committee brings oversight and challenge to the Group's corporate responsibility programmes and explores the impact and opportunities that global trends might bring to the built environment. In 2020, the Committee was chaired by Jonathan Wates, a non-executive director from the Wates family, and its members included Susan Harris, an independent non-executive director, the Chief Executive and Chief Financial Officer, with invitations extended to the Group Safety, Health, Environment and Quality Director and the Public Sector Director. In 2020, the Committee considered what the right scope of sustainability activity would be for the business operationally and strategically and agreed that the Committee's focus should be on three key priorities; workforce; reduction of waste (including energy use); and new ways of designing and building sustainably.

Executive Committee

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

The Executive Committee consists of individuals responsible for the strategic business units and key functions. A list is on page 63 and a biography for each Executive Committee member can be found at the Group's website www.wates.co.uk.

Directors' report

The directors present their annual accounts and reports for the year ending 31 December 2020. This report must be read in conjunction with the 'Strategic report' on pages 66–75.

Principal activities

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

COVID-19

The Group has included a specific report on its response to COVID-19 which can be seen on pages 8 to 15.

Dividends

The directors declared dividends in 2020 totaling £7,419,911 (2019: £10,368,109) which were paid on 27 March 2020. No further dividends have been declared or proposed in respect of the accounts to 31 December 2020.

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 with whom the Group comes into contact free from harm. The Group's 'Zero Harm' campaign, 'we're safer together', remains a key strategic priority to further enhance the Group's health and safety performance and to develop the leadership skills and behaviours required to achieve a positive and high-performing culture.

Employees

The Group recognises the importance of engaging employees to help them make their fullest contribution to the business, which is fundamental to achieving the Group's strategy and long-term objectives. Wates uses a variety of media to inform employees about the Group's development and prospects and seeks and listens to employees' views and opinions.

The Group's annual roadshow, which is open to all employees, is the forum by which the Chief Executive informs and updates staff on the Group's performance, plans and future outlook and provides employees with an opportunity to ask questions, or to seek clarification, on the Group's purpose, goals and direction. A biannual employee survey is undertaken to allow colleagues to provide honest feedback about their experience working at Wates. Twice a year, the Group's senior leadership team convene to share knowledge, disseminate good practice and to discuss strategic priorities. Informal meetings are held at business-unit and regional levels and further communication is 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.

The Group is committed to improving the skills of employees through training and development and through nurturing a culture in which employees feel valued for their contribution and motivated to achieve their full potential. Statistics relating to the average number of people employed by the Group during the year can be found in note 5 to the accounts.

Equal opportunities

The Group is an active equal opportunities employer and promotes an environment free from discrimination, harassment and

victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

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

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

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

Corporate responsibility

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

Research and development

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

Share capital

Details of the Company's share capital are set out in note 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 13 November 2012.

Conflicts of interest

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

Directors' indemnities and insurance

The Company's Articles of Association provide for the indemnification of its directors and the Company Secretary to the extent permitted by the Companies Act 2006 and other applicable legislation, out of the assets of the Company, in the event that they incur certain expenses in connection with the execution of their duties. In addition, and in common with many other companies, the Company has

directors' and officers' liability insurance, in respect of certain losses or liabilities to which officers of the Company may be exposed in the discharge of their duties.

Directors

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

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

David O. Allen (Chief Executive)

Philip M. Wainwright
(Chief Financial Officer)

Paul Chandler
(Executive Managing Director
Wates Construction Group)

Susan E. Harris

Jeremy H.M. Newsum

Jonathan M. Oatley

Andrew E. P. Wates

Charles W. R. Wates

Jonathan G. M. Wates

Timothy A. D. Wates

Donations

During the year the Group made charitable donations amounting to £0.9m (2019: £1.5m). No political donations were made in 2020 or 2019.

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. Taking into account the Group's ongoing response to the pandemic, the Board considers it has sufficient cash reserves to continue trading, whilst meeting the financial covenants set within its revolving credit facility and the Coronavirus Large Business Interruption Loan Scheme facility.

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 2021 Annual general meeting of the Company will be held on Thursday 6 May 2021.

Streamlined energy and carbon report

The 'Streamlined energy and carbon report' is presented on page 56.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Approved by the Board of Directors on 9 March 2021 and signed on its behalf by:



P. M. Wainwright
Secretary

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in UK and Republic of Ireland' and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Independent auditor's report

TO THE MEMBERS OF WATES GROUP LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Wates Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant

to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this

gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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

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

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with

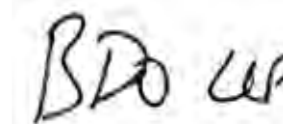
unusual account combinations or posted by senior management. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, the valuation of investment properties and defined benefit pension scheme accounting.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Charles Ellis (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
London, UK

Date: 9 March 2021

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 2020

	Notes	Underlying 2020 £000s	Exceptional (note 3) 2020 £000s	Statutory 2020 £000s	Statutory 2019 £000s
Turnover:					
Group and share of joint ventures and associates		1,449,247	-	1,449,247	1,634,374
Less share of turnover of joint ventures and associates		(66,390)	-	(66,390)	(86,338)
Group turnover	2	1,382,857	-	1,382,857	1,548,036
Cost of sales		(1,239,138)	(13,723)	(1,252,861)	(1,366,935)
Gross profit/(loss)		143,719	(13,723)	129,996	181,101
Administrative expenses		(133,262)	(5,429)	(138,691)	(158,386)
Net (deficit)/surplus on revaluation of investment properties		(2,510)	-	(2,510)	1,194
Other operating income	3	-	7,727	7,727	-
Profit on sale of investment in joint venture		-	-	-	571
Group operating profit/(loss)	4	7,947	(11,425)	(3,478)	24,480
Share of post-tax profit from joint ventures and associates		2,537	-	2,537	7,989
Total operating profit/(loss): Group and share of joint ventures and associates		10,484	(11,425)	(941)	32,469
Analysed between:					
Total operating profit/(loss) before interest and tax		16,038	(11,425)	4,613	39,032
Net interest payable – joint ventures and associates		(4,706)	-	(4,706)	(4,931)
Taxation – joint ventures and associates		(848)	-	(848)	(1,632)
Interest payable and similar charges	7	(3,116)	-	(3,116)	(2,878)
Interest receivable	7	4,896	-	4,896	4,979
Profit/(loss) before taxation		12,264	(11,425)	839	34,570
Analysed between:					
Profit/(loss) before taxation and before taxation of joint ventures and associates		13,112	(11,425)	1,687	36,202
Taxation – joint ventures and associates		(848)	-	(848)	(1,632)
Taxation on profit/(loss)	8	(1,456)	2,171	715	(6,346)
Profit/(loss) for the financial year		10,808	(9,254)	1,554	28,224

The above results have been derived from continuing operations.

Consolidated statement of comprehensive (expense)/income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000s	2019 £000s
Profit for the financial year		1,554	28,224
Currency translation difference on foreign currency net investment		117	232
Remeasurement of net defined benefit liability	24	(6,305)	(1,817)
Tax relating to components of other comprehensive income	24	(6,188)	(1,585)
Other comprehensive expense for the year		(6,176)	(3,028)
Total comprehensive (expense)/income for the year		(2,961)	26,948

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

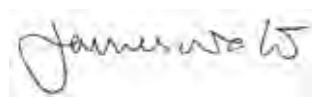
Consolidated balance sheet

AT 31 DECEMBER 2020

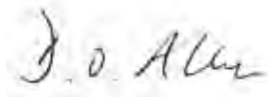
	Notes	2020 £000s	2019 £000s
Fixed assets			
Intangible assets – goodwill	9	45,059	48,536
Tangible assets	10	74,318	80,351
Investments in joint ventures and associates	11	118,153	117,769
Other investments	11	366	824
		237,896	247,480
Current assets			
Stocks	12	40,612	48,248
Debtors			
– due within one year	13	239,315	296,838
– due after one year	13	32,215	41,756
		271,530	338,594
Cash at bank and in hand	14	215,947	142,179
		528,089	529,021
Creditors: amounts falling due within one year	15	(514,004)	(567,979)
Net current assets/(liabilities)		14,085	(38,958)
Total assets less current liabilities		251,981	208,522
Creditors: amounts falling due after more than one year	16	(69,522)	(23,423)
Provisions for liabilities	17	(40,448)	(32,707)
Net assets		142,011	152,392
Capital and reserves			
Called up share capital	20	14,777	14,777
Share premium account	20	956	956
Capital redemption reserve	20	17,447	17,447
Profit and loss account	20	108,831	119,212
Shareholders' funds		142,011	152,392

The notes on pages 92–115 form part of these accounts.

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 9 March 2021 and signed on its behalf by:



Sir James G. M. Wates CBE
Chairman



D. O. Allen
Chief Executive

Company balance sheet

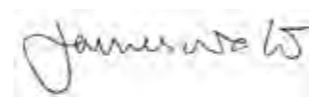
AT 31 DECEMBER 2020

	Notes	2020 £000s	2019 £000s
Fixed assets			
Investments	11	144,622	142,469
Current assets			
Debtors			
– due within one year	13	53,809	51,526
– due after one year	13	1,655	753
		55,464	52,279
Cash at bank and in hand		7,938	4,219
		63,402	56,498
Creditors: amounts falling due within one year	15	(120,051)	(151,435)
Net current liabilities		(56,649)	(94,937)
Total assets less current liabilities		87,973	47,532
Creditors: amounts falling due after more than one year	16	(44,911)	-
Net assets		43,062	47,532
Capital and reserves			
Called up share capital	20	14,777	14,777
Share premium account	20	956	956
Capital redemption reserve	20	17,447	17,447
Profit and loss account	20	9,882	14,352
Shareholders' funds		43,062	47,532

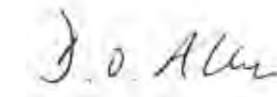
The notes on pages 92–115 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £2,950,000 (2019: £16,261,000).

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 9 March 2021 and signed on its behalf by:



Sir James G. M. Wates CBE
Chairman



D. O. Allen
Chief Executive

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000s	Share premium account £000s	Capital redemption reserve £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2018	14,777	956	17,447	102,632	135,812
Profit for the financial year	-	-	-	28,224	28,224
Currency translation difference on foreign currency net investment	-	-	-	232	232
Remeasurement of net defined benefit liability	-	-	-	(1,817)	(1,817)
Tax relating to items of other comprehensive income	-	-	-	309	309
Share of other comprehensive income of joint venture	-	-	-	-	-
Total comprehensive income	-	-	-	26,948	26,948
Dividends declared on equity shares	-	-	-	(10,368)	(10,368)
At 31 December 2019	14,777	956	17,447	119,212	152,392
Profit for the financial year	-	-	-	1,554	1,554
Currency translation difference on foreign currency net investment	-	-	-	117	117
Remeasurement of net defined benefit liability	-	-	-	(6,305)	(6,305)
Tax relating to items of other comprehensive income	-	-	-	1,673	1,673
Total comprehensive expense	-	-	-	(2,961)	(2,961)
Dividends declared on equity shares	-	-	-	(7,420)	(7,420)
At 31 December 2020	14,777	956	17,447	108,831	142,011

Dividends of £10,368,109 were declared in 2019 and payments of £6,509,010 and £3,859,099 were paid on 8 April 2019 and 11 November 2019 respectively.

Dividends of £7,419,911 were declared in 2020 and were paid on 27 March 2020.

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000s	Share premium account £000s	Capital redemption reserve £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2018	14,777	956	17,447	8,459	41,639
Total comprehensive income	-	-	-	16,261	16,261
Dividends declared on equity shares	-	-	-	(10,368)	(10,368)
At 31 December 2019	14,777	956	17,447	14,352	47,532
Total comprehensive income	-	-	-	2,950	2,950
Dividends declared on equity shares	-	-	-	(7,420)	(7,420)
At 31 December 2020	14,777	956	17,447	9,882	43,062

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

Consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000s	2019 £000s
Net cash inflow from operating activities	21	52,187	64,010
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		4	5
Proceeds from sale of joint ventures		-	250
Proceeds from sale of properties with equity loans		22	179
Purchase of tangible fixed assets		(3,104)	(11,216)
Amounts paid to joint ventures		(14,246)	(40,029)
Amounts received from joint ventures		23,325	23,711
Dividends received from joint ventures and associates		-	831
Net cash inflow/(outflow) from investing activities		6,001	(26,269)
Cash flows from financing activities			
Equity dividends paid		(7,420)	(10,368)
Bank loans borrowed		143,000	30,635
Bank loans repaid		(120,000)	(30,000)
Net cash inflow/(outflow) from financing activities		15,580	(9,733)
Net increase in cash and cash equivalents		73,768	28,008
Cash and cash equivalents at beginning of year		142,179	114,171
Cash and cash equivalents		215,947	142,179

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 65. The nature of the Group's operations and its principal activities are set out in the Strategic report.

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

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

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

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

ii) Basis of consolidation

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

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to 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 2020, the Group had cash of £215.9m, including £50.0m of debt under the Coronavirus Large Business Interruption Loan Scheme (CLBILS), access to £120.0m undrawn bank facilities (through the Group's £120.0m Revolving Credit Facility) and a strong forward secured order book. The Directors regularly review the working capital requirements of the Group while reviewing sensitivities to future performance.

As part of the Group's ongoing response to the COVID-19 pandemic, the Directors have reviewed the forecast future performance based on their current expectation. This expectation continues to reflect the current level of activity across the Group using management's understanding of each sector that the Group operates in. Turnover levels are

forecast to improve throughout the second half of 2021, however, are not forecast to return to pre COVID-19 levels in 2021. Within these forecasts, a significant proportion of the Group's revenue is already secured.

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

The Group recognises the economic and trading uncertainties resulting from COVID-19 and has deemed it appropriate to consider a range of potential scenarios of escalating impact and duration. Some reasonable downside scenarios include: a significant contract loss; a reduction in contracting turnover similar with those seen in 2020; an increase in costs without any client recovery; and reductions in prices for both housing and land sales. The Group does not consider a prolonged shut down of construction activities as a likely scenario as construction related activities have continued throughout all national lockdowns experienced to date. The Group's cash has continued to remain resilient even after November when the second lockdown was announced and it has not utilised any of its Revolving Credit Facility throughout this period. Whilst the cash flow impacts of these scenarios are materially different to the current forecast, the Group forecasts and reasonable worst case scenarios indicate that it would be able to continue trading for at least 12 months from the date of approval of the financial statements. Even if these scenarios were compounded the Group would not need to draw its RCF.

After making enquiries and considering the factors and sensitivities outlined

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

iv) Turnover

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

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

v) Pre-contract costs

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

vi) Exceptional items

Section 5 of FRS 102 requires material items to be separately disclosed in a way that enables the users of the accounts to understand the entity's financial performance. These items are commonly referred to as 'exceptional' items. In order to provide users with

a clear and consistent presentation of the underlying financial performance of the Group, it has separately identified items that are considered to be exceptional because of their size or non-recurring nature.

vii) Government grants

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

viii) Research and development

Research and development costs are written off as incurred.

ix) Intangible assets – goodwill

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

x) Tangible fixed assets and depreciation

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

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on the following tangible fixed assets in equal annual instalments over the estimated

useful lives of assets so as to write off the cost less the estimated residual values over the following periods:

Leasehold improvements	period of lease
Plant and equipment	2 to 10 years

xi) Financial instruments

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

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

(a) Financial assets and liabilities

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

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

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

(b) Investments

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

(c) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs. Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but

only at the Company's option. Dividends on preference share capital classified as equity are recognised as an appropriation of profits.

xii) Joint ventures and associates

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

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

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

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

xiii) Stocks

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

xiv) Impairment of assets

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

Non financial assets

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

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

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

Financial assets

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the

amount that would be received for the asset if it were to be sold at the reporting date.

xv) Contracts

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

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

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

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

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

revenue can be directly attributed to that project), each project is accounted for on a percentage completion basis.

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

xvi) Residential developments

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

xvii) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

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

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

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

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

xviii) Leases

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

xix) Retirement benefits

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

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

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

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

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

xx) Foreign currency

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

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets are translated at the rates of exchange at the balance sheet date. Exchange differences arising on the

translation of opening net assets and on the results of overseas operations are reported in other comprehensive income and accumulated in equity.

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

xxi) Dividends

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

xxii) Significant areas of judgement and uncertainty

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

The most critical accounting policies and significant areas of judgement and estimation arise from the accounting for contracts, assessments of the carrying value of residential land and development (see note 12), the valuation of investment property (see note 10) and the assumptions used in the accounting for the defined benefit pension scheme (see note 24).

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.

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

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

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

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

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

The Group also considers Going Concern as a significant area of judgement and has included specific disclosure in relation to this within note 1 (iii).

2. GROUP TURNOVER

	2020 Turnover £000s	2019 Turnover £000s
Analysis by class of business		
Construction	808,260	922,699
Residential	149,948	125,346
Developments	4,281	21,137
Property Services	416,770	474,316
Other	3,598	4,538
Group total	1,382,857	1,548,036

	2020 Turnover £000s	2019 Turnover £000s
Analysis of Group turnover		
Construction contracts	1,155,711	1,302,958
Rendering of services	164,757	177,208
Sale of land and residential properties	58,791	63,332
Rental/licence fee income	3,598	4,538
Group total	1,382,857	1,548,036

Group turnover is materially within the United Kingdom.

3. EXCEPTIONAL ITEMS

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

	2020 £000s	2019 £000s
Coronavirus Job Retention Scheme grant income	7,727	-
Furlough costs	(12,471)	-
Restructuring costs	(6,681)	-
	(11,425)	-

Coronavirus Job Retention Scheme grant income is government grant income received under the Coronavirus Job Retention Scheme in respect of furloughed employees. All amounts were received in cash during the year.

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

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

4. GROUP OPERATING PROFIT/(LOSS)

	2020 £000s	2019 £000s
This is stated after charging/(crediting):		
Amortisation of goodwill	3,477	3,477
Auditors' remuneration*		
- audit of these accounts	33	102
- audit of subsidiaries' accounts **	344	336
Cost of stock recognised as expense	54,261	52,112
Depreciation of tangible fixed assets (including loss on disposal £30,000 (2019: £71,000))	6,623	6,368
Foreign exchange loss	85	280
Hire of plant and machinery	5,168	5,295
Operating lease rentals	8,433	6,547
Research and development credits	(1,552)	(2,241)
Research and development	8,149	10,500

* Excludes fee payments made through joint ventures

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

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:

	2020 Number	2019 Number
Operations	2,463	2,557
Administration	1,226	1,267
	3,689	3,824

The aggregate payroll costs for the Group were as follows:

	2020 £000s	2019 £000s
Wages and salaries	198,939	228,315
Social security costs	22,664	26,772
Other pension costs	20,087	20,325
	241,690	275,412

The pension operating cost for the year was £1,044,000 (2019: £1,063,000) in respect of defined benefit arrangements and £19,043,000 (2019: £19,262,000) in respect of defined contribution arrangements.

There are no employees of the Company.

6. REMUNERATION OF DIRECTORS

	2020 £000s	2019 £000s
Directors' emoluments – executive and family directors	2,172	3,232
– independent non-executive directors	202	179
Amounts receivable under long-term incentive scheme *	-	1,330
Contributions to money purchase pension schemes	40	72
	2,414	4,813

Three (2019: three) directors have benefits accruing under a money purchase pension scheme.

	2020 £000s	2019 £000s
Highest paid director – emoluments	540	1,024
– amounts receivable under long-term incentive scheme *	-	715

*The 2019 figures for amounts receivable under long-term incentive schemes represent the cash payments made to directors in relation to the performance of the Group in the periods to 31 December 2019. The long-term incentive scheme has a deferred element which would normally result in payments being made to directors in March on an annual basis, even when no entitlement is earned in respect of the current financial year. The deferred payments that would ordinarily have been made in March 2021 have been deferred further and payments in the future remain subject to the financial performance of the Group in 2021 and beyond. The earliest such a payment could be made is September 2021. The value of the payments to directors that have been deferred from March 2021 is £505,000, of which £251,000 is payable to the highest paid director. No amounts are receivable by directors in respect of the performance of the Group in 2020.

7. NET INTEREST RECEIVABLE

	2020 £000s	2019 £000s
Interest payable and similar charges		
Bank interest	(1,894)	(1,130)
Bank charges	(707)	(994)
Other interest	(85)	-
Net interest on defined benefit liability	(430)	(754)
Interest payable and similar charges	(3,116)	(2,878)
Interest receivable		
Bank	209	346
Other	4,687	4,633
Interest receivable	4,896	4,979

Other interest receivable includes amounts from joint ventures of £4,291,000 (2019: £4,269,000) which is also included within interest payable by joint ventures disclosed on the face of the consolidated profit and loss account.

8. TAXATION ON PROFIT

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

	2020 £000s	2019 £000s
Current tax		
UK corporation tax on the profit for the year	(342)	3,728
Adjustments in respect of prior years	(416)	(277)
Total current tax	(758)	3,451
Deferred tax		
Origination and reversal of timing differences	498	2,333
Adjustments in respect of prior years	134	562
Impact of change in tax rate	(589)	-
Total deferred tax	43	2,895
Total tax on profit	(715)	6,346

During the year beginning 1 January 2021, the net reversal of deferred tax assets is not expected to increase the corporation tax charge for the year significantly as the net reversal will be offset by lower current tax in respect of timing differences. There is no expiry date on timing differences.

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

The total tax (credit)/charge for the year is lower (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000s	2019 £000s
Profit before taxation	839	34,570
Less share of profit after tax of joint ventures and associates taxed as separate entities	(1,947)	(5,699)
Group (loss)/profit before tax	(1,108)	28,871
Group (loss)/profit at the standard rate of corporation tax in the UK of 19% (2019: 19%)	(211)	5,485
Effects of:		
Permanent disallowable costs	728	1,069
Decrease in tax rate / timing differences	(950)	(493)
Adjustments in respect of prior years	(282)	285
Group total tax (credit)/charge for the year	(715)	6,346

9. INTANGIBLE ASSETS – GOODWILL

Group	£000s
Cost at 1 January 2020 and 31 December 2020	72,098
Amortisation:	
At 1 January 2020	23,562
Provided during the year	3,477
At 31 December 2020	27,039
Net book value:	
At 31 December 2020	45,059
At 31 December 2019	48,536

The net book value of goodwill at 31 December 2020 includes amounts and remaining amortisation periods regarding the following acquisitions:

Acquisition	Remaining amortisation period	Net book value of goodwill
Wates Property Services Limited	10.4 years	£14,119,000
Purchase Group	13.9 years	£5,787,000
Parts of the Shepherd Group	14.8 years	£25,153,000

10. TANGIBLE FIXED ASSETS

Group	Land and buildings		Plant and equipment £000s	Assets in the course of construction £000s	Group total £000s
	Investment properties – freehold £000s	Leasehold improvements £000s			
Valuation or cost:					
At 1 January 2020	53,440	10,577	44,568	6,781	115,366
Additions	95	(82)	607	2,484	3,104
Revaluations	(2,510)	-	-	-	(2,510)
Transfers	-	-	864	(864)	-
Disposals	-	-	(4,916)	-	(4,916)
At 31 December 2020	51,025	10,495	41,123	8,401	111,044
Depreciation:					
At 1 January 2020	-	3,726	31,289	-	35,015
Provided during the year	-	1,422	5,171	-	6,593
Disposals	-	-	(4,882)	-	(4,882)
At 31 December 2020	-	5,148	31,578	-	36,726
Net book amounts:					
At 31 December 2020	51,025	5,347	9,545	8,401	74,318
At 31 December 2019	53,440	6,851	13,279	6,781	80,351

Investment properties, which are all freehold, were revalued as at 31 December 2020 to fair value at £51,025,000, based on a valuation undertaken by CBRE Limited, chartered surveyors, an independent valuer with recent experience of the location and class of the investment properties being valued. The method of determining fair value and assumptions on which valuations are based are set out in note 1(xxii). The cost of investment properties at 31 December 2020 was £43,780,000 (2019: £43,684,000). Other tangible fixed assets are stated at cost less depreciation.

At the balance sheet date the Group had committed to incur capital expenditure of £nil (2019: £172,000).

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 £838,000 (2019: £1,046,000) and due over one year up to five years of £1,640,000 (2019: £730,000). Contracts include licence agreements. They are generally issued on a three-month minimum term basis, rolling monthly thereafter.

11. JOINT VENTURES AND ASSOCIATES AND OTHER INVESTMENTS

	Joint ventures £000s	Associates £000s	Total joint ventures and associates £000s	Unquoted investments £000s	Equity loans £000s	Total other investments £000s
At 1 January 2020	117,478	291	117,769	439	385	824
Additions	14,353	-	14,353	-	-	-
Repayments	(16,867)	-	(16,867)	-	(22)	(22)
Deferred income release	361	-	361	-	-	-
Profit	-	-	-	-	3	3
Impairment	-	-	-	(439)	-	(439)
Share of profit/(loss)	2,580	(43)	2,537	-	-	-
At 31 December 2020	117,905	248	118,153	-	366	366

The investment in joint ventures includes loans amounting to £86,420,000 (2019: £85,008,000).

Repayments includes dividends received from joint ventures and associates of £5,700,000 (2019: £1,581,000).

Joint ventures

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

	Interest	Registered office
Annington Wates (Cove) Limited	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
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%	
HWR Nominee Ltd	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
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
Havering and Wates Regeneration LLP	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
HWR Phase 1 Stage 1 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%	

Associates

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

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

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

	Interest	Registered office
QSH Property LLP	7.5%	2 Merus Court, Meridian Business Park, Leicester LE19 1RJ

Unquoted investments

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

	Interest	Registered office
Gambado Limited	100% non-voting Preference shares and 1.4% Ordinary shares	Connect House, Kingston Road, Leatherhead, Surrey KT22 7LT

The cost of shares in unquoted investments is £1,874,000 (2019: £1,874,000). An impairment of £439,000 (2019: £1,436,000) was recognised in the year. The investment is now fully impaired as the Group considers that it is no longer recoverable due to past trading and the additional strains of the current environment.

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 £449,000 (2019: £467,000), are repayable, together with a share in the capital appreciation, when the underlying property is sold. Included in this total are loans with a cost of £93,000 (2019: £93,000), which are repayable if the properties are not sold by 2021. The loans are mainly secured by a charge over the property. Loans with a cost of £180,000 (2019: £180,000) are interest free and loans with a cost of £269,000 (2019: £287,000) were interest free until 2016 when a fee of 1.75% became receivable, rising annually by the Retail Price Index plus 1%. A provision of £83,000 (2019: £82,000) is held against these loans.

Company

	Shares in Group undertakings £000s	Interests in joint ventures £000s	Unquoted investments £000s	Total £000s
At 1 January 2020	56,538	85,493	438	142,469
Additions	-	13,121	-	13,121
Repayments	-	(10,530)	-	(10,530)
Impairment	-	-	(438)	(438)
At 31 December 2020	56,538	88,084	-	144,622

The cost of shares in Group undertakings is £71,762,000 (2019: £71,762,000). The shares in Group undertakings of £56,538,000 (2019: £56,538,000) is net of cumulative impairments of £15,224,000 (2019: £15,224,000). The investment in joint ventures includes loans amounting to £88,074,000 (2019: £85,483,000). Repayments includes dividends received from joint ventures of £5,700,000 (2019: £750,000). The cost of shares in unquoted investments is £1,874,000 (2019: £1,874,000). An impairment of £438,000 (2019: £1,436,000) was recognised in the year. The investment is now fully impaired as the Company considers that it is no longer recoverable due to past trading and the additional strains of the current environment.

For the year ending 31 December 2020, the following subsidiary companies of the Company were entitled to exemption from audit of individual company accounts under Section 479A of the Companies Act 2006:

Brooks and Rivers Limited (Company number 00260431)	Wates Group Services Limited (Company number 00340931)
Wates Limited (Company number 03599183)	Wates Homes (Bracknell) Limited (Company number 02285497)
Wates Amenity Lands Limited (Company number 00733498)	Wates Homes (Odiham) Limited (Company number 05511849)
Wates Built Homes (Southern) Limited (Company number 00977105)	Wates (Walberton) Limited (Company number 11149972)

A list of the Group's subsidiary undertakings is set out on page 116.

12. STOCKS

Group	2020 £000s	2019 £000s
Raw materials and consumables	92	207
Residential land and work in progress under development	40,520	48,041
	40,612	48,248

13. DEBTORS

	Group 2020 £000s	Group 2019 £000s	Company 2020 £000s	Company 2019 £000s
Amounts falling due within one year				
Trade debtors	73,803	96,845	-	18
Amounts recoverable on contracts	141,206	171,753	-	-
Amounts owed by subsidiary undertakings	-	-	51,904	48,024
Amounts owed by joint ventures and associates	11	2,926	989	962
Deferred taxation (note 18)	3,913	2,917	426	-
Corporation tax receivable	3,492	2,281	124	-
Other debtors	5,813	8,494	-	2,140
Prepayments and accrued income	11,077	11,622	366	382
	239,315	296,838	53,809	51,526
Amounts falling due after more than one year				
Trade debtors	1,013	2,048	-	-
Amounts recoverable on contracts	21,960	32,000	-	-
Deferred taxation (note 18)	7,456	6,822	-	-
Other debtors	1,381	133	1,250	-
Prepayments and accrued income	405	753	405	753
	32,215	41,756	1,655	753
	271,530	338,594	55,464	52,279

14. CASH AND CASH EQUIVALENTS

Group	2020 £000s	2019 £000s
Restricted cash	4,327	4,870
Cash at bank	211,620	137,309
	215,947	142,179

Restricted cash represents money held in a proceeds account from property sales for a development site. The lower of 90% of the sales proceeds received and the full construction costs incurred to date are released from the account on receipt of a signed certificate from the site partner. The remaining balance will be distributed in full between the partners, in accordance with the profit share agreement, six months after the final unit sale on the site. The net cash position at year end is £166,085,000 (2019: £115,551,000).

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £000s	Group 2019 £000s	Company 2020 £000s	Company 2019 £000s
Bank loans	4,951	26,628	4,951	-
Advance payments on account of contracts	152,774	135,518	-	-
Trade creditors	72,167	99,015	-	-
Amounts owed to subsidiary undertakings	-	-	95,635	138,689
Amounts owed to joint ventures	18,948	12,022	18,948	12,022
Corporation tax payable	-	-	-	232
Other taxes and social security	28,081	19,318	-	-
Other creditors	5,114	3,554	-	-
Accruals	229,090	270,640	517	492
Deferred income	2,879	1,284	-	-
	514,004	567,979	120,051	151,435

The Group has in place a Revolving Credit Facility of £120,000,000 which was undrawn at 31 December 2020 and expires in 2023 and a Coronavirus Large Business Interruption Loan Scheme facility of £50,000,000 which was fully drawn at 31 December 2020 and which expires in 2023. A repayment of £5,000,000 in respect of the Coronavirus Large Business Interruption Loan Scheme facility is payable on 31 December 2021. In 2019, Bank loans included £27,000,000 drawn under the Revolving Credit Facility in a subsidiary, Needspace? Limited. This loan was repaid during the year. Bank loans are disclosed net of unamortised arrangement fees of £49,000 (2019: £372,000).

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

Other taxes and social security includes £15,799,000 (2019: £nil) due under the Government's VAT Deferral New Payment Scheme.

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

	Group 2020 £000s	Group 2019 £000s	Company 2020 £000s	Company 2019 £000s
Bank loans	44,911	-	44,911	-
Other taxes and social security	5,925	-	-	-
Accruals	16,034	20,117	-	-
Deferred income	2,652	3,306	-	-
	69,522	23,423	44,911	-

The Group has in place a Revolving Credit Facility of £120,000,000 which expires in 2023 and a Coronavirus Large Business Interruption Loan Scheme facility of £50,000,000 which was fully drawn at 31 December 2020 and which expires in 2023. Repayments of £45,000,000 are payable in respect of the Coronavirus Large Business Interruption Loan Scheme facility over the remainder of the loan term. Bank loans are disclosed net of unamortised arrangement fees of £89,000 (2019: £ nil).

Other taxes and social security includes £5,925,000 (2019: £nil) due under the Government's VAT Deferral New Payment Scheme.

The maturity of bank loans is as follows:

Group	2020 £000s	2019 £000s
Within one year	5,000	27,000
Between one and two years	11,000	-
Between two and five years	34,000	-
	50,000	27,000

These amounts are disclosed before the deduction of unamortised arrangement fees of £138,000 (2019: £372,000).

Company	2020 £000s	2019 £000s
Within one year	5,000	-
Between one and two years	11,000	-
Between two and five years	34,000	-
	50,000	-

These amounts are disclosed before the deduction of unamortised arrangement fees of £138,000 (2019: £nil).

17. PROVISIONS FOR LIABILITIES

Group	2020 £000s	2019 £000s
At 1 January	8,921	8,779
Utilised during the year	-	(100)
Charged to profit and loss account	9,716	242
At 31 December	18,637	8,921
Provision for net defined benefit scheme deficit (note 24)	21,811	23,786
Total	40,448	32,707

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

18. DEFERRED TAXATION

Group	£000s
At 1 January 2020	9,739
Charged to profit and loss account	(43)
Credited to other comprehensive income	1,673
At 31 December 2020	11,369

The Finance Act 2016 reduced the corporation tax rate to 17% with effect from 1 April 2020 and so this rate was used in the December 2019 deferred tax calculations. In the Budget of 11 March 2020, the Chancellor of the Exchequer announced that the planned rate reduction to 17% would no longer be taking effect. The changes announced during the Budget of 11 March 2020 were substantively enacted as at the 2020 balance sheet date, therefore, all opening deferred taxation balances have been remeasured at 19% with an adjustment recognised in the 2020 total tax charge. On 3 March 2021, the Chancellor of the Exchequer announced various amendments to the Government's VAT deferral scheme and rises in UK Corporation Tax. When enacted these will impact the tax assets and liabilities of the Group.

Deferred taxation is provided as follows:

	2020 £000s	2019 £000s
Accumulated depreciation in excess of capital allowances	308	668
Deferred tax arising in relation to retirement benefit obligations	4,144	4,044
Other timing differences including tax losses	6,917	5,027
	11,369	9,739

18. DEFERRED TAXATION – CONTINUED

	2020 £000s	2019 £000s
Deferred taxation asset under one year	3,913	2,917
Deferred taxation asset over one year	7,456	6,822
	11,369	9,739

Company	£000s
At 1 January 2020	-
Credited to profit and loss account	426
At 31 December 2020	426

Deferred taxation is provided as follows:

	2020 £000s	2019 £000s
Other timing differences	426	-

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	2020 £000s	2019 £000s
Financial assets		
Debt instruments measured at amortised cost		
• Loans receivable from joint ventures (notes 11 and 13)	86,420	85,533
Equity instruments measured at cost less impairment		
• Fixed asset investments in unlisted equity instruments (note 11)	-	439
• Equity loans (note 11)	366	385
Financial liabilities		
Measured at amortised cost		
• Loans payable (notes 15 and 16)	49,862	26,628
Interest income and expense		
Total interest income for financial assets at amortised cost	4,291	4,269
Total interest expense for financial liabilities at amortised cost	2,601	2,124

20. CALLED UP SHARE CAPITAL AND RESERVES

	Number	2020 £000s	Number	2019 £000s
Issued and fully paid:				
A ordinary shares of £1 each	323,854	324	323,854	324
B ordinary shares of £1 each	323,854	324	323,854	324
C ordinary shares of £1 each	323,854	324	323,854	324
A second ordinary shares of £0.0277 each	60	-	60	-
B second ordinary shares of £0.0277 each	60	-	60	-
C second ordinary shares of £0.0277 each	60	-	60	-
Non-voting second preference shares of £1 each	5,000,000	5,000	5,000,000	5,000
Non-voting A preference shares of £1 each	2,914,677	2,914	2,914,677	2,914
Non-voting B preference shares of £1 each	2,914,677	2,914	2,914,677	2,914
Non-voting C preference shares of £1 each	2,914,677	2,914	2,914,677	2,914
Index linked non-voting A shares of £1 each	20,750	21	20,750	21
Index linked non-voting B shares of £1 each	20,750	21	20,750	21
Index linked non-voting C shares of £1 each	20,750	21	20,750	21
	14,778,023	14,777	14,778,023	14,777

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

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

1. Firstly, index linked shareholders ('index shareholders') are entitled to annual non-cumulative preferential dividends being the greater of the preceding such dividend and 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 annum and the second at a rate of 17% 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 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.

21. RECONCILIATION OF GROUP OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	2020 £000s	2019* £000s
Group operating (loss)/profit including joint ventures and associates	(941)	32,469
Adjustments for:		
Decrease/(increase) in fair value of investment property	2,510	(1,194)
Profit on sale of investment in joint venture	-	(571)
Profit on sale of properties with equity loans	(3)	(93)
Depreciation and amortisation	10,100	9,845
Joint ventures and associates	(2,537)	(7,989)
Impairment of other investments	439	1,435
Decrease/(increase) in stocks	7,636	(8,042)
Decrease/(increase) in debtors	71,767	(29,083)
(Decrease)/increase in creditors*	(41,441)	77,268
Increase in provisions	9,716	142
Cash from operations before adjustment for pensions funding	57,246	74,187
Adjustment for pensions funding	(8,710)	(9,389)
Cash generated from operations	48,536	64,798
Interest received	4,582	4,686
Interest paid	(1,952)	(1,130)
Corporation tax recovered/(paid)	1,021	(4,344)
Net cash inflow from operating activities	52,187	64,010

*The prior year cash flow statement has been corrected to present certain cash inflows received from joint ventures as cash flows from investing activities that were previously presented as cash flows from operating activities. This has resulted in a decrease in the net movement in creditors of £4,365,000 (in note 21) and a corresponding net increase in the cash inflows from investing activities in the Consolidated Cash Flow Statement. The corresponding net increase in investing activities is represented by a £5,115,000 cash inflow which has been presented as amounts received from joint ventures and a reduction in dividends from joint ventures of £750,000. An amount of £18,596,000 previously presented as loans repaid by joint ventures is now also presented as amounts received from joint ventures.

Cash is often received from joint ventures in advance of any formal distribution and therefore the dividends from joint ventures are not always cash transactions. The dividends received from joint ventures of £750,000 (31 December 2019) are not included in the Consolidated Cash Flow Statement as these were non-cash transactions resulting in a reduction in the amount due to the joint venture.

22. GROUP NET CASH RECONCILIATION

	1 January 2020 £000s	Cash flows £000s	31 December 2020 £000s
Cash at bank	137,309	74,311	211,620
Restricted cash	4,870	(543)	4,327
Cash at bank and in hand	142,179	73,768	215,947
Bank loans (excluding arrangement fees *)	(27,000)	(23,000)	(50,000)
Net cash including restricted cash	115,179	50,768	165,947
Net cash excluding restricted cash	110,309	51,311	161,620

* Bank loans are disclosed before the deduction of unamortised arrangement fees of £138,000 (2019: £372,000).

23. OPERATING LEASE COMMITMENTS

	2020 £000s	2019 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	7,052	6,343
Between one and five years	10,459	10,469
After five years	1,162	2,023
	18,673	18,835

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. A subsidiary of the Group participates in a defined benefit scheme accounted for on a defined contribution basis (see note 1(xix)).

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

The latest full actuarial valuation of the scheme was carried out at 31 December 2017 and was updated to 31 December 2020 by a qualified independent actuary.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	2020	2019
Discount rate	1.30%	2.20%
Rate of compensation increase	3.70%	3.80%
Rate of price inflation	2.70%	2.80%
Rate of pension increase	1.90%	2.00%

Weighted average life expectancy for mortality tables used to determine benefit obligations at year end	2020 Years	2019 Years
Male member age 65 (current life expectancy)	22.5	22.4
Female member age 65 (current life expectancy)	24.8	24.8
Male member age 45 (life expectancy at age 65)	23.8	23.7
Female member age 45 (life expectancy at age 65)	26.2	26.2

Components of pension cost	2020 £000s	2019 £000s
Recognised in the profit and loss account:		
Current service credit	(216)	(181)
Net interest cost	430	754
	214	573
Recognised in other comprehensive income	6,305	1,817
Total cost relating to defined benefit scheme	6,519	2,390

	2020 £000s	2019 £000s
Analysis of deferred tax recognised in other comprehensive income		
Tax credit relating to remeasurement of net defined benefit liability	(1,197)	(309)
Increase in tax rate on opening net defined benefit liability	(476)	-
Total tax credit relating to other comprehensive income	(1,673)	(309)

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

	2020 £000s	2019 £000s
Present value of defined benefit obligations	345,356	310,996
Fair value of scheme assets	323,545	287,210
Net liability recognised in the balance sheet	21,811	23,786

	2020 £000s	2019 £000s
Movements in the present value of defined benefit obligations:		
At 1 January	310,996	282,308
Service credit	(216)	(181)
Interest cost	6,649	8,030
Actuarial loss	45,565	31,706
Benefits paid	(17,638)	(10,867)
At 31 December	345,356	310,996

	2020 £000s	2019 £000s
Movements in the fair value of scheme assets:		
At 1 January	287,210	251,704
Interest income	6,219	7,276
Actual return less interest on scheme assets	39,260	29,889
Employer contribution	8,494	9,208
Benefits paid	(17,638)	(10,867)
At 31 December	323,545	287,210

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

	2020 %	2019 %
Major categories of scheme assets as a percentage of the fair value of total scheme assets:		
Equity securities	20.6%	25.9%
Debt securities	66.6%	66.8%
Real estate	1.1%	2.3%
Cash and cash equivalents	11.7%	5.0%
	100.0%	100.0%

Contributions

The Group expects to contribute £8,400,000 to the scheme in 2021 for deficit reduction contributions.

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.

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 2020 was £4,617,000 (2019: £5,000,000).

Amounts were due to the Group from joint ventures and associates at 31 December 2020 of £86,432,000 (2019: £87,935,000). Additionally, at 31 December 2020, the Group owed joint ventures £18,948,000 (2019: £12,022,000). Interest at market rates is receivable/(payable) in respect of loans, which are unsecured, due from/(to) joint ventures.

At 31 December 2020, £2,822,000 (2019: £2,605,000) was due from Myriad CEG Group Limited ('Myriad') and £nil (2019: £2,000,000) was due from Cornflower Investments Limited ('Cornflower'). The amount due from Myriad CEG Group Ltd has been fully provided for. Interest is/was receivable at a market rate in respect of these amounts. Myriad and Cornflower are/were related to the Company and the Group through common control.

On 10 September 2020, the £2,000,000 loan to Cornflower was repaid in full and in a related transaction, loans to shareholders were granted such that: at 31 December 2020, £500,000 (2019: £nil) was due from Sir James G.M. Wates, a shareholder and director of the Company, to the Company; at 31 December 2020, £250,000 (2019: £nil) was due from Jonathan G.M. Wates, a shareholder and director of the Company, to the Company; at 31 December 2020, £250,000 (2019: £nil) was due from Timothy A.D. Wates, a shareholder and director of the Company, to the Company; and at 31 December 2020, £250,000 (2019: £nil) was due from Andrew E.P. Wates, a director of the Company, to the Company. All loans are repayable in September 2027. Interest on the loans is charged at the higher of the official rate for beneficial loans arrangements as set by HMRC of 2.25% and 2.5%. Interest accrues daily and is payable annually in arrears on each anniversary of the date on which the loan is borrowed.

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

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Andrew T. A. Wates, who is a shareholder of the Company, and his wife, Sarah, in July 2016. The initial contract will last for 10 years and an initial amount of £85,000 was paid. Wates Developments Limited will be paid a promotion fee of 20% if it successfully achieves planning on the site within 10 years. The promotion is extendable for 10 years on payment of an additional fee. During 2019, Wates Developments Limited bought a piece of land adjacent to the site. If the promotion contract between Andrew T. A. Wates and his wife, Sarah expires, Andrew T. A. Wates and his wife, Sarah, can purchase this piece of land at cost plus interest at 2% above the base rate.

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Michael E. Wates, who is a shareholder of the Company, and his wife, Caroline, in August 2020. The initial contract will last for 10 years and an initial amount of £50,000 was paid. Wates Developments Limited will be paid a promotion fee of 20% if it successfully achieves planning on the site within 10 years. The promotion is extendable for 10 years on payment of an additional fee.

Key management personnel includes all statutory directors of the company and of the Executive Committee. The total remuneration for key management personnel for the year was £4,260,000 (2019: £10,226,000).

Subsidiary undertakings

AT 31 DECEMBER 2020

Except where otherwise stated:

- All subsidiary undertakings are incorporated in the United Kingdom and registered in England and Wales;
- The registered office of all subsidiary undertakings is Wates House, Station Approach, Leatherhead, Surrey KT22 7SW;
- The Wates Group Limited interest is 100% in the issued share capital of the subsidiary undertakings listed below included in the consolidated accounts.

Subsidiary undertaking

Wates Amenity Lands Limited	Wates Homes (Farnham Common) Limited	Wates (Walberton) Limited
Wates Built Homes (Blakes) Limited	Wates Homes Limited	10 St Bride Street Limited*
Wates Built Homes (London) Limited	Wates Homes (Oakley) Limited	Brooks and Rivers Limited
Wates Built Homes Limited	Wates Homes (Odiham) Limited	Danesdale (Pebble Drive) Limited
Wates Built Homes (Retirement) Limited	Wates Homes (Wallingford) Limited	(formerly known as Wates Developments (Bonehurst Horley) Limited)
Wates Built Homes (Southern) Limited	Wates Homes (Warsash) Limited	G Purchase Construction 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 (Hungerford) Limited	GW 217 Limited
Wates Construction Limited*	Wates Interiors Limited	Needspace? Limited*
Wates Construction Services Limited	Wates Lancewood Estates Limited*	Purchase Group Limited
Wates Developments Limited*	Wates Limited*	Purchase Home Improvements Limited
Wates Financial Services Limited	Wates Property Services Limited	Purchase Homes Limited
Wates Group Properties Limited	Wates Maintenance Services Limited	Purchase Support Limited
Wates Group Services Limited*	Wates Pension Trustee Company Limited	QED Education Environments Limited*
Wates Healthcare Trustee Company Limited	Wates PFI Investments Limited	Relocation and Inventory Services Limited
Wates Homes (Bracknell) Limited	Wates PFI Investments (Projects) Limited	SES (Engineering Services) Limited
Wates Homes (Cambridge) Limited	Wates PFI Investments (QED) Limited	Stageselect Limited*
Wates Homes (Chichester) Limited	Wates Regeneration (Coventry) Limited	Third Wates Investments Limited
	Wates Regeneration (South Acton) Limited	WBH (Financial Services) Limited
	Wates Regeneration (Tavy Bridge) Limited	Woodside Lands Estates Limited
	Wates Second Land Limited	Woodside Lands Limited
	Wates Smartspace Limited	Woodside Lands Management Limited
	Wates Staff Trustees 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 Expansion	24.5%	Eastern International LLC,
American Community School Landscaping	24.5%	Bel City Gate Tower,
CFB Building	24.5%	11th Floor,
Qasr Al Hosn Fort	24.5%	Al Wahda Street,
Qasr Al Hosn Fort and NCCC Main Contract Works	24.5%	PO Box 1596, Sharjah,
		United Arab Emirates
Linden Wates (St. Albans)	50.0%	11 Tower View,
		Kings Hill,
		West Malling,
		Kent ME19 4UY

Group five-year summary

	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Profit and loss account					
Group turnover (plus share of joint ventures' and associates' turnover)	1,532	1,622	1,601	1,634	1,449
Group turnover	1,442	1,530	1,501	1,548	1,383
Operating profit (excluding share of joint ventures' and associates' interest and tax)	37.3	38.5	39.0	39.0	4.6
Underlying operating profit (excluding share of joint ventures' and associates' interest and tax)	37.3	38.5	39.0	39.0	16.0
Profit before taxation (and excluding share of joint ventures' and associates' tax)	35.5	35.7	35.9	36.2	1.7
Underlying profit before taxation (and excluding share of joint ventures' and associates' tax)	35.5	35.7	35.9	36.2	13.1
Balance sheet					
Net assets	70.7	119.4	135.8	152.4	142.0



Head Office

Wates House
Station Approach
Leatherhead
Surrey KT22 7SW

Tel: 01372 861000