

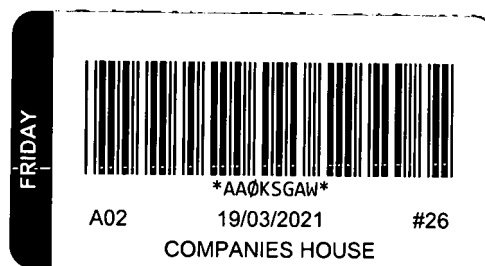
Company number: 441484

WATES DEVELOPMENTS LIMITED

Annual Accounts and Reports

for the year ended

31 December 2020



WATES DEVELOPMENTS LIMITED

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WATES DEVELOPMENTS LIMITED

DIRECTORS AND ADVISORS

Directors	D.M. Brocklebank T.A.D. Wates D.O. Allen D.A. Bowen N.J. Flint
Independent auditors	BDO LLP Chartered Accountants and Statutory Auditors 55 Baker Street London W1U 7EU
Bankers	HSBC Bank plc 1 Centenary Square Birmingham B1 1HQ
Registered Office and Business Head Office	Wates House Station Approach Leatherhead Surrey KT22 7SW
Telephone Website	01372 861000 www.wates.co.uk

WATES DEVELOPMENTS LIMITED**STRATEGIC REPORT**

The directors present the Strategic report followed by the Directors' report and the audited accounts for the year ended 31 December 2020.

Principal activities and business review

The principal activities of the Company are land promotion and residential development.

The primary business focus is to identify and assemble land potentially suitable for development and utilise our expertise to navigate the planning system to deliver valuable planning permission for residential development. Our approach focuses on the housing needs of areas and communities and the delivery of high-quality residential development schemes.

Wates controls a wide variety of greenfield and brownfield land interests across southern England, including freeholds, land option and promotional agreements. We promote both our own land holdings and act on behalf of landowners in pursuit of planning consents. Each individual land interest is assessed for the most appropriate strategy which ranges from the promotion of an allocation in an emerging local plan to a direct application for planning permission through appeal if necessary.

Where contracts allow the Company will make a decision on each land disposal as to whether or not to extend the Wates' Group participation in the project by entering into a joint venture with one of the Company's chosen house builder partners. This type of activity allows partners to equally share both the commercial risk and the amount of investment. The judgement is made in relation to the prevailing housing market conditions and future expectation, the underlying strength and quality of the local market and the levels of competition allied to the businesses strategic profit and growth plan. We then work with partners to deliver high quality housing, infrastructure and sustainable communities.

Where joint ventures ownership is held by Wates Group Limited, management of Wates Developments Limited will continue to provide commercial support by overseeing the progress of each development.

The business strategy will result in some variation in levels of annual profit as the timing of land disposals will be based on the timing of planning consent.

COVID-19 has and continues to have adverse impact on the housing sector. The unprecedented lockdown brought delays to planning consents, investment decisions and site production. Local authorities had to adapt to operating remotely with fewer staff and resources. Committee meetings moved to virtual conferencing securing the continuity of this vital service but also attracting wider audiences and greater focus on local government.

Inevitably with the impact of COVID-19, in 2020 Wates Developments Limited performed below its expectations set out at the start of the year. Whilst the Company has a number of active planning applications and delivered three land disposals during the year, it recorded a pre-tax loss of £3.8m (2019: pre-tax loss of £2.7m) as shown on page 11.

Much more positively, the Company secured a number of promotion, option agreements and will work with local authorities and partners to achieve planning on these sites. The Company starts 2021 with active planning opportunities including 3 submitted applications for over 1,900 units and having secured 2 resolutions to grant planning.

The Directors of Wates Developments Ltd strongly believe that the company is well positioned to deliver its strategic priorities. The Wates Developments team have sufficient resources and experience to source additional opportunities, secure planning consents on current land interests and secure best value for its shareholders. The Company expects to successfully continue its principal activity and trade in 2021.

WATES DEVELOPMENTS LIMITED

STRATEGIC REPORT (CONTINUED)

Principal activities and business review (continued)

During 2020, the Company:

- Acquired 384 acres (2019: 421 acres) of land on 7 sites (2019: 7)
- Submitted 3 (2019: 10) planning application pending decisions for 1,936 dwellings (2019: 3,257)
- Supported Wates Group Limited in achieving sales of 374 (2019: 493) new homes
- Completed 3 land disposals (2019: 4)

Principal risks and uncertainties

Despite continuing promises from the current Government to 'fix the broken housing market', the planning system remains in considerable flux and is uncertain. There is a noted increase in intervention from the Secretary of State for Housing, Communities and Local Government which, whilst giving confidence that judgements and decisions are being considered and made at the highest level, is leading to further delay. However, the underlying need for housing remains a key driver of business prospects and we consider that the dynamics of supply and demand in the markets in which we operate mean that land will continue to be the asset of choice over the medium to long term and we remain committed to expanding our portfolio of opportunities.

Reassuringly, despite COVID-19, housing still remains a key political priority, with the government promising delivery of 300,000 new homes annually. This has been visible through "Planning for the Future" White Paper which proposes a number of changes to simplify, speed up, and improve planning system and finally support the economic recovery. The Company has welcomed the opportunity to contribute to this consultation.

Obtaining valuable residential planning permission is a complex process and lies at the heart of our business. The interpretation of planning legislation along with policy locally and nationally creates challenges and opportunities for the business. What is clear is that local authorities must assess and meet housing need through the establishment of robust local plans, with those failing to plan being subject to a presumption in favour of sustainable development at appeal.

To ensure that we are able to progress planning on a timely basis, it is essential that we retain an appropriate skill base. To ensure that we recruit, retain and motivate personnel we regularly review total reward to ensure it is in line with expectations and the market.

Risk management is at the heart of what we do and is the source of value creation as well as a vital form of control. We believe that our ability to assess, understand and gauge project risk gives us the capability to selectively accept projects where we feel we can best perform. In addition, through the internal Governance processes the Directors of Wates Group Limited manage the group's risks at a Group level and the Company's directors therefore believe that a further discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of Wates Developments Limited's business. The principal risks of Wates Group Limited, which include those of the Company, are noted in the Group's annual strategic report, which does not form part of this report.

WATES DEVELOPMENTS LIMITED
STRATEGIC REPORT (CONTINUED)

Key performance indicators

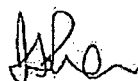
The key performance indicators of the business are as follows:

<u>Key performance indicator</u>	2020	2019	<i>Movement</i>
Operational			
Land control acquired (acres)	383.6	420.6	<i>(8.8%)</i>
Planning permissions secured (dwellings)	0	63	<i>(100%)</i>
Resolution to grant planning	2	1	<i>100%</i>
Planning applications submitted decisions pending (dwellings)	1,936	3,257	<i>(40.6%)</i>
Financial			
Turnover (£'000)	2,728	15,067	<i>(81.9%)</i>
Total operating loss (£'000)	(3,881)	(2,725)	<i>(42.4)%</i>
Loss before taxation (£'000)	(3,819)	(2,655)	<i>(43.8)%</i>

Results

The results for the year are set out in the profit and loss account on page 11.

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



D.A. BOWEN
DIRECTOR

WATES DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited accounts for the company for the year ended 31 December 2020.

Directors

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

D.O. Allen
D.M. Brocklebank
T.A.D. Wates
D.A. Bowen
N.J. Flint

Future developments

Details of future developments can be found in the Strategic report on page 2.

Dividend

No dividend was paid or declared in 2020 (2019: £4,500,000).

Statement of disclosure of information to auditors

In the case of each of the persons who were directors at the time this report was signed, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the 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 audit information and to establish that the company's auditors are aware of that information.

Going concern

The directors have reviewed the forecast future performance of the Wates Group and the company and have prepared a cash flow forecast for 12 months from the date of approval of these financial statements. Taking into account the Wates Group's ongoing response to the pandemic, the directors consider that the Wates Group 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 company's accounts. Further details regarding the adoption of the going concern basis can be found in note 1 to the accounts.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

WATES DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

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

A handwritten signature in black ink, appearing to read 'D.A. Bowen', written over a horizontal dashed line.

D.A. BOWEN
DIRECTOR

WATES DEVELOPMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the 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 company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom 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 parent company will continue in business.

The directors are also responsible for safeguarding the assets of the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the 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.

WATES DEVELOPMENTS LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WATES DEVELOPMENTS LIMITED****Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss 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 Developments Limited ("the Company") for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and 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 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 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 Accounts and Reports 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.

WATES DEVELOPMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATES DEVELOPMENTS LIMITED (CONTINUED)

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 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 the 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 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 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 Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.

WATES DEVELOPMENTS LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WATES DEVELOPMENTS LIMITED (CONTINUED)**

Our audit procedures were designed 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 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 the carrying value of residential land and development.

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 this report

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



Charles Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
9 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

WATES DEVELOPMENTS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2020

	Note	2020 £000s	2019 £000s
TURNOVER	2	2,728	15,067
Cost of sales		(3,893)	(13,693)
GROSS (LOSS)/ PROFIT		(1,165)	1,374
Administrative expenses		(3,165)	(4,569)
Other operating income	3	449	470
OPERATING LOSS	4	(3,881)	(2,725)
Interest receivable	7	107	133
Interest payable	7	(45)	(63)
LOSS BEFORE TAXATION		(3,819)	(2,655)
Taxation on loss	8	800	595
LOSS FOR THE FINANCIAL YEAR		(3,019)	(2,060)

The above results have been derived from continuing operations.


A statement of comprehensive income has not been presented as the total comprehensive expense of the company for the above two years is the loss for these financial years.

WATES DEVELOPMENTS LIMITED
COMPANY NUMBER: 441484
BALANCE SHEET AT 31 DECEMBER 2020

	Note	2020 £000s	2019 £000s
FIXED ASSETS			
Tangible assets	9	-	-
Investments	10	1,509	1,509
		1,509	1,509
CURRENT ASSETS			
Stocks	11	19,274	18,536
Debtors			
- due within one year	12	2,436	11,352
- due after one year	12	1,013	2,048
		3,449	13,400
Cash at bank and in hand		2,654	2,323
		25,377	34,259
CREDITORS: amounts falling due within one year	14	(7,458)	(13,321)
NET CURRENT ASSETS		17,919	20,938
NET ASSETS		19,428	22,447
CAPITAL AND RESERVES			
Called up share capital	15	18,793	18,793
Profit and loss account	15	635	3,654
SHAREHOLDERS' FUNDS		19,428	22,447

The notes on pages 14 to 27 form part of these accounts.

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



D.A. BOWEN
DIRECTOR



D.M. BROCKLEBANK
DIRECTOR

WATES DEVELOPMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2020

	Called up share capital £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2018	18,793	10,214	29,007
Total comprehensive expense	-	(2,060)	(2,060)
Dividends paid on equity shares	-	(4,500)	(4,500)
At 31 December 2019	18,793	3,654	22,447
Total comprehensive expense	-	(3,019)	(3,019)
At 31 December 2020	18,793	635	19,428

The total comprehensive expense of the Company for each of the two years is its loss for these financial years.

WATES DEVELOPMENTS LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 2020****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 Developments Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report.

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

The functional currency of the company is considered to be pounds sterling because that is the currency of the economic environment in which the Company operates.

Wates Developments Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

(ii) Consolidated accounts

The financial statements contain information about Wates Developments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006, not to produce consolidated financial statements as it is included in the group accounts of Wates Group Limited.

(iii) Going concern

The activities of the 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 company, had cash and access to £50m of Wates Group debt under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and £120m of undrawn secured bank facilities (through the Wates Group Limited facility). The directors regularly review the working capital requirements of the company and the Wates Group while reviewing sensitivities to future performance.

As part of the Wates 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 Wates Group using management's understanding of each sector that the Wates 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 Wates Group's revenue is already secured.

WATES DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

1. Accounting policies (continued)**(iii) Going concern (continued)**

Due to the potential volatility at the subsidiary level, Wates Group Limited intends to provide sufficient operational and financial support to the subsidiaries, to the extent that it is required to enable them to meet their liabilities as and when they fall due for a period of at least 12 months from the date of approval of the financial statements for the subsidiaries for the year ended 31 December 2020. The Wates Group has prepared a cash flow forecast for 12 months from the date of approval of these financial statements and the Wates Group considers it has sufficient cash reserves to continue trading, whilst meeting the financial covenants set within its Revolving Credit and CLBILS facilities. The Wates Group is not forecasting a need to draw down on its £120m Revolving Credit Facility in the next 12 months.

The Wates 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 Wates 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 Wates 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 Wates 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 Wates Group would not need to draw its Revolving Credit Facility.

After making enquiries and considering the factors and sensitivities outlined above for a range of scenarios, the directors have a reasonable expectation that the company 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 sales of land or services to promote land on which unconditional exchange of contracts has taken place by the year end.

Turnover excludes value added tax.

(v) 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.

WATES DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

1. Accounting policies (continued)**(vi) Tangible fixed assets and depreciation**

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:

Plant and equipment	2 to 10 years
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(vii) Financial instruments

Financial assets and liabilities are recognised when the Company 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 company 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 are classified as payable or receivable within one year and which meet the above conditions are 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.

(viii) Stocks and work in progress

Stocks comprising freehold land and option and promotion agreements are recorded at cost (including consideration and any premiums paid for control as well as all relevant third-party expenditure pursuing planning).

Freehold land is carried at cost. Stock and work in progress arising from option and promotion expenditure is amortised over the period of control. The carrying value of all stock and work in progress is also subject to an annual impairment review to ensure the carrying cost remains at or below net realisable value (which is estimated future selling price less costs to sell).

(ix) 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 immediately.

WATES DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

1. Accounting policies (continued)**(ix) Impairment of assets (continued)****- Non-financial assets**

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

Where indicators exist for a decrease in impairment loss on assets, 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.

(x) 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 company'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.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(xi) Retirement benefits

The Wates Developments Limited participates in a Wates Group wide defined benefit pension scheme providing benefits based on pensionable pay, which is closed to new entrants. The details of the scheme are disclosed in the accounts of the ultimate parent company. The scheme is recognised in the individual accounts of the Group Company which is legally responsible for the scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

WATES DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

1. Accounting policies (continued)

(xi) Retirement benefits (continued)

The Wates Group Limited 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.

(xii) 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 assessments of the carrying value of residential land and development.

The carrying value of the residential land and development of the company is supported by detailed viability reviews which are updated regularly.

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

(xiii) Dividends

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

2. Turnover

Company turnover is within the United Kingdom and arises from residential development.

3. Other operating income

	2020 £000s	2019 £000s
Other income consists of:		
Coronavirus Job Retention Scheme grant income	40	-
Dividends received from subsidiary undertakings:		
Wates Homes (Odiham) Ltd	29	-
Wates Built Homes (Southern) Ltd	2	-
Brooks and Rivers Ltd	378	-
Wates Homes (Oakley) Ltd	-	470
	<u>449</u>	<u>470</u>

WATES DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

3. Other operating income (continued)

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.

4. Operating loss

	2020 £000s	2019 £000s
Operating loss is stated after charging:		
Auditors' remuneration for audit services:		
- Company	32	31
Cost of stock recognised as expense	3,949	13,696

Remuneration receivable by the Group's auditors, other than that disclosed above, is disclosed in the consolidated financial statements of the parent company, Wates Group Limited.

5. Staff numbers and costs

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

	2020 Number	2019 Number
Administration	32	35

The aggregate payroll costs of these persons were as follows:

	2020 £000s	2019 £000s
Wages and salaries	2,690	3,131
Social security costs	446	384
Other pension costs	362	450
	3,498	3,965

The pension operating cost for the year, recharged from Wates Group Limited, was £88,000, (2019: £128,000) in respect of defined benefit arrangements and £274,000 (2019: £322,000) in respect of defined contribution arrangements. Further information on retirement benefits are included in note 1 (xi).

WATES DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

6. Remuneration of directors

Directors received remuneration from the company as follows:

	2020 £000s	2019 £000s
Directors' emoluments	693	1,007
Amounts receivable under long-term incentive scheme *	-	606
Contributions to money purchase pension scheme	45	47
	<u>738</u>	<u>1,660</u>

The above emoluments exclude payments made to directors of the ultimate parent company.

Three (2019: three) directors have retirement benefits accruing under a money purchase pension scheme.

	2020 £000s	2019 £000s
Highest paid director		
- Emoluments	306	488
- Amounts receivable under long-term incentive scheme *	-	497
- Contributions to money purchase pension scheme	5	10

*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 Wates 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 Wates 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 £126,000, of which £89,000 is payable to the highest paid director. No amounts are receivable by directors in respect of the performance of the Wates Group in 2020.

7. Net interest receivable

	2020 £000s	2019 £000s
Interest receivable:		
Other	<u>107</u>	<u>133</u>
Interest payable and similar charges:		
Group undertakings	<u>(45)</u>	<u>(63)</u>

WATES DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

8. Taxation on loss

a) Analysis of the credit in the year

	2020 £000s	2019 £000s
Current tax		
UK corporation tax on the loss for the year at 19% (2019: 19%)	-	-
Adjustments in respect of prior years	(1)	(594)
Total current tax	(1)	(594)
Deferred tax		
Origination and reversal of timing differences	(800)	-
Adjustments in respect of prior years	1	(1)
Total deferred tax charge	(799)	(1)
Total tax on loss	(800)	(595)

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 current tax credit for the year

The total tax credit for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000s	2019 £000s
Loss before taxation	(3,819)	(2,655)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(726)	(505)
Effects of:		
Income not taxable in determining taxable profits	(78)	(89)
Permanent disallowable costs	4	16
Decrease in tax rate / timing differences	-	(1)
Group relief	-	579
Adjustments in respect of prior years	-	(595)
Total tax credit for the year	(800)	(595)

WATES DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

9. Tangible fixed assets

	Plant and equipment £000s
Cost or valuation:	
At 1 January 2020	3
At 31 December 2020	<u>3</u>
Depreciation:	
At 1 January 2020	3
Provided during the year	-
At 31 December 2020	<u>3</u>
Net book amounts:	
At 31 December 2020	<u>-</u>
At 31 December 2019	<u>-</u>

10. Investments

	Ordinary shares in subsidiary undertakings £000s	Equity loans £000s	Total £000s
Cost less provision and net book value:			
At 1 January 2020 and 31 December 2020	1,505	4	1,509

Equity loans

Equity loans comprise amounts advanced to homebuyers to assist in their purchase of the company's properties under the equity share scheme. The loans, with a cost of £87,000 (2019: £87,000), are repayable when the underlying property is sold together with a share in the capital appreciation. The loans are mainly secured by a charge over the property and are interest free. At 31 December 2020 the equity loans balance net of provision is £4,000 (2019: £4,000).

WATES DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

10. Investments (continued)

At 31 December 2020, shares in subsidiary undertakings have a net book value of £1,505,000 (2019: £1,505,000).

All subsidiary undertakings are incorporated in the United Kingdom and registered in England and Wales except where otherwise stated. The registered office of all subsidiary undertakings is Wates House, Station Approach, Leatherhead, Surrey KT22 7SW, except where otherwise stated.

The Company's subsidiary undertakings, which are wholly owned, are as follows:

- Woodside Lands Management Limited
- Wates Homes (Wallingford) Limited
- Wates Homes (Oakley) Limited
- Wates Homes (Odiham) Limited
- Wates Homes (Bracknell) Limited
- Wates Built Homes (Blakes) Limited
- Wates Built Homes (London) Limited
- Wates Built Homes (Retirement) Limited
- Wates Built Homes (Southern) Limited
- WBH (Financial Services) Limited
- Wates Amenity Lands Limited
- Woodside Lands Estates Limited
- Wates Built Homes Limited
- Wates Second Land Limited
- Brooks and Rivers Limited
- Wates Homes (Chichester) Limited
- Wates Homes (Warsash) Limited
- Danesdale (Pebble Drive) Ltd formerly known as Wates
- Developments (Bonehurst Horley) Limited
- Wates Homes (Farnham Common) Limited
- Wates (Hungerford) Limited

The consolidated income and expenditure, assets and liabilities and cash flows of the subsidiary undertakings of the company include the company's shares of the following unincorporated jointly controlled asset:

	Interest	Registered office
Linden Wates (St Albans) JV	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY

WATES DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

11. Stocks

	2020 £000s	2019 £000s
Trading land and contracts over land	<u>19,274</u>	<u>18,536</u>

12. Debtors

	2020 £000s	2019 £000s
Amounts falling due within one year:		
Trade debtors	1,395	10,744
Deferred taxation (note 13)	806	7
Corporation tax	-	212
Other debtors	167	325
Prepayments and accrued income	<u>68</u>	<u>64</u>
	<u>2,436</u>	<u>11,352</u>
Amounts falling due after more than one year:		
Trade debtors	<u>1,013</u>	<u>2,048</u>
	<u>3,449</u>	<u>13,400</u>

WATES DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

13. Deferred taxation asset

	2020 £000s	2019 £000s
At 1 January	7	6
Credited to profit and loss account	799	1
At 31 December	806	7
Deferred tax is fully provided as follows:		
Accumulated depreciation in excess of capital allowances	3	5
Short term timing differences	803	2
Deferred tax asset	806	7
Deferred tax asset under one year	806	7

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 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 Company.

14. Creditors

	2020 £000s	2019 £000s
Amounts falling due within one year:		
Trade creditors	694	562
Amounts owed to group undertakings	2,954	3,254
Amounts owed to subsidiary undertakings	2,022	2,429
Other taxes and social security	147	894
Other creditors	122	115
Accruals	1,353	5,901
Deferred income	166	166
	7,458	13,321

The bank accounts of the Company are part of an interest group with the holding company and its principal subsidiaries.

WATES DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

15. Called up share capital and reserves

	2020 Number	2020 £000s	2019 Number	2019 £000s
Ordinary shares of £1	<u>18,793,309</u>	<u>18,793</u>	18,793,309	18,793

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's profit and loss account reserve represents cumulative profits or losses, net of dividends paid.

16. Contingencies

There are contingent liabilities in respect of guarantees under building and other agreements entered into in the normal course of business.

The Company has entered into indemnities, with other Group undertakings, to third parties in respect of performance bonds granted on behalf of a fellow subsidiary undertaking.

The Company has guaranteed liabilities of its parent company and a number of fellow subsidiary undertakings to their bankers.

17. Related party transactions

During its normal course of business, the company entered into a promotion agreement for a site, with Andrew T. A. Wates, who is a shareholder of the Wates Group Limited, and his wife, Sarah, in July 2016. The initial contract will last for 10 years and an initial amount of £85,000 was paid. The company 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, the company 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, the company entered into a promotion agreement for a site, with Michael E. Wates, who is a shareholder of Wates Group Limited, and his wife, Caroline, in August 2020. The initial contract will last for 10 years and an initial amount of £50,000 was paid. The company 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.

WATES DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31 DECEMBER 2020

18. Ultimate parent company

The Company's immediate and ultimate parent company is Wates Group Limited, which is incorporated in Great Britain and registered in England and Wales. The smallest and largest group into which the results of the company are consolidated is Wates Group Limited.

The consolidated financial statements for Wates Group Limited are available to the public and may be obtained from Wates House, Station Approach, Leatherhead, Surrey, KT22 7SW.