

**WATES PROPERTY SERVICES LIMITED**

**Annual accounts and reports**

**for the year ended**

**31 December 2021**



# **Wates Property Services Limited Annual accounts and reports 2021**

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## **Wates Property Services Limited Annual accounts and reports 2021**

### **Directors and advisors**

Directors	D.O. Allen H.P. Bunch D.K.E. Morgan S.J. Potter P.C. Rowan P.M. Wainwright
Company secretary	P.M. Wainwright
Registered office	Wates House Station Approach Leatherhead Surrey KT22 7SW
Bankers	HSBC UK Bank plc 1 Centenary Square Birmingham B1 1HQ
Independent auditors	BDO LLP Chartered Accountants and Statutory Auditors 55 Baker Street London W1U 7EU

# Wates Property Services Limited Annual accounts and reports 2021

## Strategic report

The directors present their Strategic report which is followed by the Directors' report and the audited consolidated accounts for the Group for the year ended 31 December 2021.

### Principal activities

The principal activities of the Wates Property Services Group (the "Group") and parent company are:

- The provision of repair and maintenance services predominantly within the social housing market (Living Space).
- The provision of facilities management services, with customers nationwide across a range of industries and environments, delivering hard and integrated FM services; planned and reactive maintenance solutions to single and multi-site operations (Wates FM).

### Business review

The Group has performed well and traded resiliently throughout another COVID-19 disrupted year.

Our Living Space business performed well during 2021. In H1 repairs and maintenance volumes were impacted by the ongoing pandemic, however in H2 there was a recovery of volumes to pre-pandemic. Living Space continued to secure new contracts throughout the year with new clients, notably, with Lambeth Council with the award of a contract worth £40m over 6 years and contract expansion with Notting Hill Genesis Housing Association.

Our Wates FM business enjoyed a successful 2021, extending all existing contracts upon contract renewal and winning new clients, such as Welcome Genome which will deliver £20m revenue over the next 5 years.

The group remains in good shape, with significant opportunities in both the social housing and FM sectors in which we operate.

We have started 2022 well, winning over £50m of new business in Q1, including social housing decarbonisation works. This provides further confidence that profitability is normalising to pre pandemic levels.

### Guiding framework

Across the business, the Group is immensely proud of what it does and the way in which it achieves it. The Group work in some of the buildings that mean the most to people, their homes and offices and it strives to treat them with respect and the professionalism the Group has become known for.

We work to achieve the Group's goals of being:

- Sustainable through the Group's strong orderbook and maintaining excellent relationships with its customers
- Trusted through its excellent net promoter scores
- Progressive through its commitment to diversity and inclusion and the drive towards helping its customers achieve their obligations to Government for net-zero harm by 2030

By living our behaviours, we can achieve the Group's goals. We must:

- **Care** for ourselves, our families, colleagues, and customers especially during these difficult times
- **Be fair** in the way the Group operates, professional in all its operations, celebrate successes and learn from mistakes
- **Continuously look for a better way**, strive for better business perform, always push ourselves in our personal development and help grow the business.

# **Wates Property Services Limited Annual accounts and reports 2021**

## **Strategic report**

### **Financial performance**

In 2021, the business performed well in response to ongoing challenges experienced because of COVID-19, particularly in Q1 2021.

- Group turnover, including the Group's share of associates turnover, was in line with the prior year at £216.2m (2020: £216.2m). Company statutory turnover improved from the prior year at £208.5m (2020: £204.8m).
- Group total operating profit including exceptional items before interest and tax increased to £3.8m (2020: £2.2m). Company operating profit including exceptional items before interest and tax increased to £4.2m (2020: £3.0m).
- The operating margin of the Group including exceptional items before interest and tax increased to 1.8% (2020: 1.0%). Company operating margin including exceptional items before interest and tax increased to 2.0% (2020: 1.5%).

The Group maintained strong levels of cash throughout the year, ending with cash of £15.7m (2020: £18.4m), this after the repayment of a £8.7m intercompany loan to its parent company.

### **Principal risks and uncertainties**

The directors of Wates Group Limited manage the Wates Group Limited Group's (the "Wates Group") risks at a group level and the company's directors believe that a discussion of the Group's risks would not help to understand the development, performance or position of Wates Property Services Limited's business. The Wates Group's principal risks, which include those of the company, are discussed in the Wates Group's annual strategic report which does not form part of this report. The Wates Group's annual report may be obtained from the address stated in note 22.

### **Section 172 Companies Act 2006**

This report sets out how the Directors of Wates Property Services Limited comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2021. The report for Wates Group Limited (the "Wates Group") has been included in these financial statements as the Directors of the Company consider that the key decisions made are consistent with those included within the Wates Group report.

Engaging with stakeholders to deliver long term success is a key area of focus for the Board and all decisions take into account the impact on a wide range of stakeholders. Views of stakeholders are gathered in Board papers and inform the decisions made in Board meetings. Stakeholders are impacted by, or benefit from, decisions made by the Board in different ways. However, it is the Board's priority to ensure that the directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Wates 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 Wates 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 and the adequacy of internal controls.

After the significant impact of Covid in 2020, the focus of the Board in 2021 has been on ensuring that the Wates Group's performance recovered quickly to pre-pandemic levels and that the Wates Group is

## Wates Property Services Limited Annual accounts and reports 2021

### Strategic report

positioned to take advantage of the many opportunities for future growth. The Board approves an updated strategic plan every year and monitors its implementation throughout the year using detailed reports on operating and financial performance. In approving the plan, the Board considers factors such as competitor behaviour, the performance of the residential and construction industries, as well as the evolving economic, political and market conditions.

The current strategy is focused on investing an additional £110m of the Wates Group's capital in its identified growth areas. These include: residential development (in partnership with Public Sector bodies); private sector developments (primarily through Joint Ventures with housebuilders); and environmental sustainability. This increased investment will help achieve the Wates Group's long-term strategic objectives, whilst balancing the risks caused by changing economic and market conditions. To ensure that adequate returns are earned on this new investment and that the business is able to maintain its levels of performance in all its areas of operation, the Wates Group has summarised its five key priorities as: safety, sustainability, diversity and inclusion, quality and profitability.

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

#### EMPLOYEES

How the Wates Group engages	Outcomes	Further details
<ul style="list-style-type: none"> <li>Wates Group biannual roadshows led by the Chief Executive (the roadshows were conducted virtually in 2021)</li> <li>Second annual Inclusion Month in October 2021</li> <li>Biannual employee survey</li> <li>Site and office visits by shareholders, directors and members of the Executive Committee</li> <li>Video content from the family and executive directors</li> <li>Wates Group-wide newsletters and emails</li> <li>Internal and external social media channels</li> <li>Intranet blogs</li> <li>Wates Group leadership calls from which messaging is cascaded to the workforce</li> <li>Webinars</li> <li>Emails from the Chief Executive and other members of the Executive Committee</li> <li>Competitive compensation Arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Formal launch of the Wates Group's five performance priorities</li> <li>Further communication providing information about the actions the Wates Group is taking to become more inclusive, diverse and anti-racist</li> <li>Formal launch of the Wates Group's Flexible Working Principles</li> <li>Excellent take up of the Wates Group's industry- leading Family Leave policies</li> <li>Launch of a specific Anti Bullying and Harassment policy, embedding a zero-tolerance approach to inappropriate behaviour</li> <li>Introduction of a Reverse Mentoring programme, pairing white leaders with colleagues from under-represented ethnicities</li> <li>Pilot project introduced which will facilitate the 'debiasing' of the Wates Group's recruitment processes</li> <li>Pay rises were implemented in April 2021 and have been approved for April 2022</li> <li>High staff retention rates</li> </ul>	<ul style="list-style-type: none"> <li>'People' on pages 12 to 13 of the Wates Group financial statements</li> </ul>

# Wates Property Services Limited Annual accounts and reports 2021

## Strategic report

### CUSTOMERS

#### How the engages

- Regular customer engagement surveys by external companies
- Meetings (either face-to-face or virtually)
- Interaction through Wates' Innovations Network (WIN) portal
- Contract negotiation, ongoing management, site visits etc.
- Indirect engagement through the Wates Group website, social media interaction, project reports and marketing materials
- Communication about changes to legislation (e.g. Domestic Reverse Charge VAT)
- Quarterly newsletter

#### Outcomes

- Net Promoter Score (NPS) survey outcomes reviewed by the Board on a monthly basis to monitor progress in customer engagement
- Feedback received from customers (e.g. Leeds University achieving a perfect 10 for its NPS and Smartspace as a business improving its NPS from 30 to 60)
- Through Wates Sustainable Technology Services (WSTS) and the WIN portal, the Wates Group is supporting its customers to achieve their sustainability targets
- Regular, effective and collaborative communication with customers about the Wates Group's efforts to mitigate the effects of product, materials and labour supply issues, inflation and the pandemic on their projects and contracts
- Exceptional customer retention across all of the Wates Group's businesses
- Delivering safely, to a high quality, on time and in line with contractual requirements

#### Further details

- 'Leeds University' case study on page 27 of the Wates Group financial statements
- 'Cash management' on page 74 of the Wates Group financial statements

### SUPPLY CHAIN

#### How the Wates Group engages

- Dedicated team responsible for supply chain relationships
- 'Meet the Buyer' events
- Email bulletins to suppliers (including details of changes in regulations)
- Health and safety training
- Supply chain workshops
- Regular meetings (either face-to-face or virtually)
- Contract negotiation, ongoing management and site visits
- Indirect engagement through the Wates Group website, social
- media interaction and project reports

#### Outcomes

- Providing effective support to supply chain partners in respect of changes in regulation (e.g. the introduction of Domestic Reverse Charge VAT)
- The Wates Group's consistent and supportive approach with its supply chain over many years has helped it respond effectively to the challenges of the current market (such as changes in product, materials and labour costs)
- The Wates Group's commitment to the Prompt Payment Code has ensured that at least 95% of invoices are paid within 60 days

#### Further details

- 'Principle 6 Stakeholders' on page 85 of the Wates Group financial statements

## Wates Property Services Limited Annual accounts and reports 2021

### Strategic report

#### FINANCIAL INSTITUTIONS

##### How the Wates Group engages

- The CFO and treasury function meet regularly with banks and providers of bonds
- Presentation of annual budgets and strategic plans
- Quarterly performance reporting

##### Outcomes

- The first repayment of the Coronavirus Large Business Interruption Loan Scheme (CLBILS) was made in the year
- Positive ongoing discussions with lenders about the renewal of the Wates Group's Revolving Credit Facility
- Ongoing covenant compliance and strong average daily net cash of £130.5m (2020: £88.0m)

##### Further details

- 'Cash management' on page 74 of the Wates Group financial statements

#### COMMUNITIES AND ENVIRONMENT

##### How the Wates Group engages

- Local community events (e.g. 'Meet the Buyer')
- Focused expenditure with Social Enterprises (SEs)
- Direct engagement through membership of the Considerate Constructors Scheme (CCS)
- Support of charitable programmes
- Member of UK Green Building Council (UKGBC)

##### Outcomes

- Through WSTS, the Wates Group is supporting more of its customers to achieve their sustainability targets through innovation
- Through its award-winning Wates Innovation Network (WIN) portal, WSTS is growing its portfolio of partners providing new solutions to cut carbon and make the built environment industry more sustainable
- In 2021, the Wates Group created £116m of social value and engaged with 12,080 young people
- In 2021, the Wates Group spent £6.8m on SEs, taking the cumulative spend since 2007 to £36.4m. Since 2007, more than £167m of social value has been created
- The Wates Group continues to provide funds to the Wates Family Enterprise Trust. £0.8m was contributed in 2021 (2020: £0.8m), taking the total amount given since 2008 to £15.1m
- In 2021, 55.8% of Wates' priority suppliers were registered with the Supply Chain Sustainability School (SCSS), an 8% increase on 2020

##### Further details

- 'Sustainability Report' on pages 40 to 57 of the Wates Group financial statements
- 'Wates Family Enterprise Trust' on pages 58 to 59 of the Wates Group financial statements



# Wates Property Services Limited Annual accounts and reports 2021

## Strategic report

### SHAREHOLDERS

#### How the Wates Group engages

- The Wates Group interfaces with shareholders through away days, corporate events, the Chief Executive's twice-yearly presentation to the Family Council, regular interaction with the Wates family office and through the Wates Group Board (five members of the fourth generation of the Wates family are members of the Wates Group Board)
- Annual General Meeting (AGM)
- The preparation of the annual report helps shareholders understand the Wates Group's performance during the year

#### Outcomes

- The directors maintain a regular dialogue with Board members and other shareholders
- The Wates Group has approved a long-term increase in investment across its core investing businesses, supporting its objective to become a more profitable and sustainable company

#### Further details

- 'Corporate Governance Report' on pages 83 to 88 of the Wates Group financial statements

### 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 Wates Group on corporate governance for large privately-owned companies in 2018. The Wates Group has a strong ethical culture, underpinned by its purpose, behaviours and Code of Conduct. The Code of Conduct sets out the standards that all employees of Wates must follow.

The Board were involved in ongoing discussions with the Pensions Trustees on the investment strategy and future deficit repair contributions leading to the 2020 valuation being agreed with the Trustees on 30 March 2021.

The directors take very seriously their responsibility to ensure the Wates 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 2021, the Wates Group (including its share of joint ventures) contributed taxes, all within the UK, whether borne by the Wates Group or collected on behalf of HMRC of £232.7m (2020: £106.9m). The Wates Group is proud of the part it plays in the industry's contribution to society through its economic activity.

# Wates Property Services Limited Annual accounts and reports 2021

## Strategic report

	Notes	2021 £000s	2020 £000s
<b>Taxes paid in the year (note 1)</b>			
<b>Taxes borne by the Wates Group</b>			
Corporate income tax payments/(receipts)		4,750	(334)
Employment-related taxes	2	26,196	27,185
Other taxes	3	4,763	5,211
		<b>35,709</b>	<b>32,062</b>
<b>Taxes collected for HM government (in addition to taxes borne above)</b>			
Employment-related taxes	4	62,828	59,771
VAT	5	134,133	15,064
		<b>196,961</b>	<b>74,835</b>
<b>Total tax contribution (taxes generated by the Group from Wates Group activity)</b>		<b>232,670</b>	<b>106,897</b>
Government grant income received	6	-	(7,727)
<b>Total tax contribution (taxes generated by the Group from Wates Group activity) net of Government grants received</b>		<b>232,670</b>	<b>99,170</b>

### Notes

- 1) All taxes are paid in the UK; none in other jurisdictions
- 2) Employer national insurance contributions, income tax paid on benefits in kind and apprenticeship and CITB levies
- 3) Business rates, insurance premium tax, stamp duty land tax, irrecoverable VAT, fuel duty and vehicle and other taxes
- 4) Income Tax and employee national insurance contributions deducted from salaries and wages
- 5) Net VAT collected and paid. Payments in 2020 were lower due to the Wates Group utilising the Government's VAT Deferral New Payment scheme and higher in 2021 as the deferred repayments were all repaid
- 6) Government grant income received through the Coronavirus Job Retention Scheme in respect of furloughed employees

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

### Board Governance

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 31 December 2021. These principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to help to improve standards of corporate governance. They also support directors to meet the requirements of Section 172 Companies Act 2006 by providing guidance on the following areas:

- Purpose and leadership;
- Board Composition;
- Director responsibilities;
- Opportunity and risk;
- Remuneration; and
- Stakeholders.

## **Wates Property Services Limited Annual accounts and reports 2021**

### **Strategic report**

The Corporate Governance Report, which evidences how the Wates Group applies the principles, is included in the Wates Group Limited financial statements and is also available on the Wates Group's website at [www.wates.co.uk](http://www.wates.co.uk).

Approved by the Board of Directors on 9 March 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P.M. Wainwright', with a long horizontal stroke extending to the right.

**P.M. Wainwright**  
**Director**

## **Wates Property Services Limited Annual accounts and reports 2021**

### **Directors' report**

The directors present their report together with the audited consolidated accounts for the year ended 31 December 2021. This report is to be read in conjunction with the Strategic report on pages 2 to 9.

#### **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  
H.P. Bunch  
D.K.E. Morgan  
S. J. Potter  
P.C. Rowan  
P.M. Wainwright

#### **Director's indemnity**

A director benefited from a qualifying pension scheme indemnity provision during the financial year and benefits from this at the date of this report.

#### **Streamlined energy and carbon report**

The company has not presented a report on the grounds that the company's energy and carbon information has been included in the Streamlined energy and carbon report presented in the company's ultimate parent company consolidated financial statements. For more information, see the Wates Group Limited Financial Statements which may be obtained from the address stated in note 22.

#### **Health and safety**

The Wates Group Board remains committed to the effective management and monitoring of health and safety and to providing a safe working environment for all employees and partners and to keeping members of the public free from harm. The Wates Group's 'Zero Harm' campaign 'we're safer together' remains a key strategic priority to further enhance the Wates 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 Wates Group recognises the importance of engaging employees to help them make their fullest contribution to the business. The Wates Group views this as fundamental to achieving its strategy and long-term objectives. The Wates Group uses a variety of media to inform employees about development and prospects and seeks out and listens to employees' views and opinions at all times.

The Wates Group's roadshow events, which are open to all employees, is the mechanism through which the Chief Executive informs and updates staff on its performance, plans and future outlook and provides employees with an opportunity to ask questions, or to seek clarification, on the Wates Group's purpose, goals and direction. There were two roadshows during 2021, both of which were broadcast online (as a result of COVID-related restrictions).

A biannual employee survey is undertaken to allow colleagues to provide honest feedback about their experience working at Wates. Twice a year, the Wates Group's senior leadership team convenes to share knowledge, disseminate good practice and to discuss strategic priorities. Informal meetings are held at business unit and regional levels and further communication is effected through the use of a group-wide intranet and enterprise social network, electronic bulletins, notice boards, social media, the Wates Group's website and blogs from contributors from all parts of the Wates Group.

## **Wates Property Services Limited Annual accounts and reports 2021**

### **Directors' report**

#### **Employees continued**

The Wates Group is committed to improving the skills of employees through training and development and by nurturing a culture in which employees feel valued for their contribution and motivated to achieve their full potential.

#### **Equal opportunities**

The Wates Group is an active equal opportunities employer and promotes an environment free from discrimination, harassment or victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

The Wates Group has for many years focused on fostering a diverse and inclusive working environment and has implemented specific development programmes to assist business leaders to engage further with their teams and to demonstrate the contribution that each individual can make to the success of the Wates Group. The Wates Group is committed to growing a diverse pool of talent for the purpose 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 Wates 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 Wates Group endeavours to retain and adjust the environment of employees who become disabled during the course of their employment.

#### **Research and development**

The Wates 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.

#### **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 each 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 section 418 of the Companies Act 2006.

## **Wates Property Services Limited Annual accounts and reports 2021**

### **Directors' report**

#### **Going concern**

The directors have reviewed the forecast future performance of the Wates Group, the Group and the company and have prepared a cash flow forecast for 12 months from the date of approval of these financial statements. The directors consider that the Wates Group has sufficient cash reserves to continue trading, whilst meeting the financial covenants set within its banking facilities.

Accordingly, the directors continue to adopt the going concern basis in preparing the Group's accounts. Further details regarding the adoption of the going concern basis can be found in note 1 to the accounts.

#### **Post balance sheet events**

There were no post balance sheet events requiring disclosure.

Approved by the Board of Directors on 9 March 2022 and signed by its behalf by:

A handwritten signature in black ink, appearing to read 'P. Wainwright', with a horizontal line underneath.

**P.M. Wainwright**  
Director

## **Wates Property Services Limited Annual accounts and reports 2021**

### **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 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 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 Property Services Limited Annual accounts and reports 2021**

## **Independent auditors report to the members of Wates Property Services 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 2021 and of the Group's 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 Property Services Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the Consolidated Profit and Loss Account, 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.

### **Independence**

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 out other ethical responsibilities in accordance with those requirements.

### **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 Accounts and 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



## **Wates Property Services Limited Annual accounts and reports 2021**

### **Independent auditors report to the members of Wates Property Services Limited**

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 the Directors**

As explained more fully in the Directors Responsibilities Statement, 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:

## **Wates Property Services Limited Annual accounts and reports 2021**

### **Independent auditors report to the members of Wates Property Services Limited**

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 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.

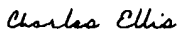
There are inherent limitations in the audit procedures described above and, the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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 revenue recognition.

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.

DocuSigned by:  
  
71D0B433DEE2415...

Charles Ellis (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
9 March 2022

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

# Wates Property Services Limited Annual accounts and reports 2021

## Consolidated profit and loss account

For the year ended 31 December 2021

	Note	Statutory 2021 £000s	Underlying 2020 £000s	Exceptional (note 3) 2020 £000s	Statutory 2020 £000s
<b>Turnover:</b>					
Group and share of associates		216,251	216,216	-	216,216
Less share of turnover of associates		(3,047)	(2,281)	-	(2,281)
Group statutory turnover	2	213,204	213,935	-	213,935
Cost of sales		(172,103)	(173,152)	(2,021)	(175,173)
<b>Gross profit/(loss)</b>		<b>41,101</b>	<b>40,783</b>	<b>(2,021)</b>	<b>38,762</b>
Administrative expenses		(37,322)	(37,529)	(654)	(38,183)
Other operating income	3	-	-	1,708	1,708
<b>Group operating profit/(loss)</b>	4	<b>3,779</b>	<b>3,254</b>	<b>(967)</b>	<b>2,287</b>
Share of post-tax profit/(loss) from associates		33	(43)	-	(43)
<b>Total operating profit/(loss): Group and share of associates</b>		<b>3,812</b>	<b>3,211</b>	<b>(967)</b>	<b>2,244</b>
Analysed between:					
Total operating profit/(loss) before interest and tax		3,820	3,201	(967)	2,234
Taxation – associates		(8)	10	-	10
Interest payable and similar charges	7	(7)	(149)	-	(149)
Interest receivable	7	61	27	-	27
<b>Profit/(loss) before taxation</b>		<b>3,866</b>	<b>3,089</b>	<b>(967)</b>	<b>2,122</b>
Analysed between:					
Profit/(loss) before taxation and before taxation of associates		3,874	3,079	(967)	2,112
Taxation – associates		(8)	10	-	10
Taxation on profit/(loss)	8	(627)	(106)	184	78
<b>Profit/(loss) for the financial year</b>		<b>3,239</b>	<b>2,983</b>	<b>(783)</b>	<b>2,200</b>

The above results have been derived from continuing operations.

A Statement of comprehensive income has not been presented as the total comprehensive income of the Group for the above two years is the profit for those financial years.

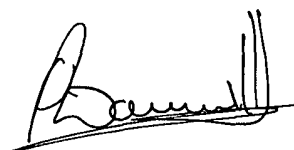
**Wates Property Services Limited Annual accounts and reports 2021****Company number: 1141788****Consolidated balance sheet**

As at 31 December 2021

	Note	2021 £000s	2020 £000s
<b>Fixed assets</b>			
Intangible assets - goodwill	9	5,370	5,787
Tangible assets	10	1,136	1,520
Investments in associates	11	281	248
		<b>6,787</b>	<b>7,555</b>
<b>Current assets</b>			
Stocks	12	130	92
Debtors	13	39,365	42,136
Cash at bank and in hand		15,698	18,383
		<b>55,193</b>	<b>60,611</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(28,904)</b>	<b>(38,632)</b>
<b>Net current assets</b>		<b>26,289</b>	<b>21,979</b>
<b>Total assets less current liabilities</b>		<b>33,076</b>	<b>29,534</b>
<b>Creditors: amounts falling due after one year</b>	15	-	(977)
<b>Provisions for liabilities</b>	16	<b>(1,280)</b>	-
<b>Net assets</b>		<b>31,796</b>	<b>28,557</b>
<b>Capital and reserves</b>			
Called up share capital	18	205	205
Profit and loss account	18	31,591	28,352
<b>Total shareholders' funds</b>		<b>31,796</b>	<b>28,557</b>

The notes on pages 21 to 37 form part of these accounts.

Approved by the Board of Directors on 9 March 2022 and signed on its behalf by:

**P.M. Wainwright**  
Director

# Wates Property Services Limited Annual accounts and reports 2021

Company number: 1141788

## Company balance sheet

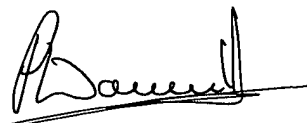
As at 31 December 2021

	Note	2021 £000s	2020 £000s
<b>Fixed assets</b>			
Tangible assets	10	1,095	1,458
Investments	11	7,441	6,609
		<b>8,536</b>	<b>8,067</b>
<b>Current assets</b>			
Stocks	12	130	92
Debtors	13	38,370	36,326
Cash at bank and in hand		8,860	16,958
		<b>47,360</b>	<b>53,376</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(28,386)</b>	<b>(37,898)</b>
<b>Net current assets</b>		<b>18,974</b>	<b>15,478</b>
<b>Total assets less current liabilities</b>		<b>27,510</b>	<b>23,545</b>
<b>Creditors: amounts falling due after one year</b>	15	-	(923)
<b>Provisions for liabilities</b>	16	<b>(1,280)</b>	-
<b>Net assets</b>		<b>26,230</b>	<b>22,622</b>
<b>Capital and reserves</b>			
Called up share capital	18	205	205
Profit and loss account	18	26,025	22,417
<b>Total shareholders' funds</b>		<b>26,230</b>	<b>22,622</b>

The notes on pages 21 to 37 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £3,608,000 (2020: £2,933,000).

Approved by the Board of Directors on 9 March 2022 and signed on its behalf by:



**P.M. Wainwright**  
Director

## Wates Property Services Limited Annual accounts and reports 2021

### Consolidated statement of changes in equity

As at 31 December 2021

	Called up share capital £000s	Profit and loss account £000s	Total equity £000s
<b>At 31 December 2019</b>	<b>205</b>	<b>26,152</b>	<b>26,357</b>
Total comprehensive income	-	2,200	2,200
<b>At 31 December 2020</b>	<b>205</b>	<b>28,352</b>	<b>28,557</b>
Total comprehensive income	-	3,239	3,239
<b>At 31 December 2021</b>	<b>205</b>	<b>31,591</b>	<b>31,796</b>

The total comprehensive income of the Group for each of the two years is its profit for these financial years.

### Company statement of changes in equity

As at 31 December 2021

	Called up share capital £000s	Profit and loss account £000s	Total equity £000s
<b>At 31 December 2019</b>	<b>205</b>	<b>19,484</b>	<b>19,689</b>
Total comprehensive income	-	2,933	2,933
<b>At 31 December 2020</b>	<b>205</b>	<b>22,417</b>	<b>22,622</b>
Total comprehensive income	-	3,608	3,608
<b>At 31 December 2021</b>	<b>205</b>	<b>26,025</b>	<b>26,230</b>

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

### Consolidated cash flow statement

For the year ended 31 December 2021

	Notes	2021 £000s	2020 £000s
<b>Net cash (outflow)/inflow from operating activities</b>	19	<b>(2,287)</b>	654
<b>Cash flows from investing activities</b>			
Disposal of tangible fixed assets		-	1
Purchase of tangible fixed assets		(398)	(282)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(398)</b>	373
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,685)</b>	373
<b>Cash and cash equivalents at beginning of year</b>		<b>18,383</b>	18,010
<b>Cash at bank and in hand</b>		<b>15,698</b>	18,383

# **Wates Property Services Limited Annual accounts and reports 2021**

## **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 Property Services 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 on page 1. 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 in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Wates Property Services Limited is considered to be pounds sterling because that is the currency of the economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling.

Wates Property Services 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 Property Services 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.

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 1 Accounting policies continued

#### (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 2021, the company had cash and access to debt under the Wates Group Coronavirus Large Business Interruption Loan Scheme (CLBILS) of £45.0m and to £120.0m of undrawn bank facilities (through the Group's £120.0m Revolving Credit Facility (RCF) which expires in mid-March 2023). The Directors regularly review the working capital requirements of the company and the Wates Group as part of reviewing scenarios that test a range of sensitivities to future performance.

The Directors have reviewed the forecast performance of the Wates Group based on their current expectations about the future. This expectation draws on management's understanding of each sector that the Wates Group operates in and anticipates a continuation of the current level of activity across the Group. Turnover levels are forecast to continue to increase throughout 2022 and to exceed pre-Covid levels. Within these forecasts, a significant proportion of the Group's revenue is already secured.

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 2021. 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 RCF 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 the pandemic 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 to that experienced 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 or contracting activities as a likely scenario as these activities have continued throughout each of the national lockdowns. The Group's cash has remained resilient throughout 2021 and it has not utilised any of its RCF 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.

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.



# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 1 Accounting policies continued

#### (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, and rendering of services, which is recognised as the service is performed.

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

#### (v) 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. 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.

#### (vi) 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 2020 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.

#### (vii) Research and development

Research and development costs are written off as incurred.

#### (viii) Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 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.

#### (ix) 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:

Leasehold improvements	Period of lease
Plant and equipment	3 to 8 years
IT systems	4 to 7 years

Business system software is capitalised as plant and equipment when software is an integral part of managements intended use for the related hardware

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 1 Accounting policies continued

#### (x) Financial instruments

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

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

#### (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

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.

#### (xi) Associates

An associate is an undertaking in which the Group has a long-term interest, usually from 20 per cent to 50 per cent of the equity voting rights and over which it exercises significant influence.

In the Group accounts, investments in associates are accounted for using the equity method. Investments in 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 associate. Goodwill arising on the acquisition of 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 associates.

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

In the company's accounts, investments, including those in associates, are accounted for at cost less impairment.

#### (xii) Stocks

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

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 1 Accounting policies continued

#### **(xiii) Impairment of assets**

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

#### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result 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, which are carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

#### **(xiv) Contracts**

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

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

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

Variations and claims are recognised once there is enough 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 into individual separable projects (and revenue can be directly attributed to that project), each project is accounted for on a percentage completion basis.

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 1 Accounting policies continued

#### (xiv) Contracts continued

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

#### (xv) 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.

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.

#### (xvi) Leases

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

#### (xvii) Retirement benefits

The company participates in the Wates Pension Fund, a defined benefit scheme operated by a fellow subsidiary, Wates Group Services Limited. Sufficient information is not available for the company to use defined benefit accounting and so the company accounts for the scheme as a defined contribution plan. Information about the scheme is disclosed in the accounts of the ultimate parent company and Wates Group Services Limited.

With effect from 1 January 2001, the scheme has been closed to new members. Pension costs paid by the company are disclosed in note 5.

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 1 Accounting policies continued

#### **(xvii) Retirement benefits continued**

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](http://www.wolverhampton.gov.uk) and in the accounts of the scheme available on [www.wmpfonline.com](http://www.wmpfonline.com).

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

#### **(xviii) Significant areas of judgement and uncertainty**

The preparation of accounts requires the Group to make estimates and assumptions that affect items reported. Such estimates and assumptions are based on management's best knowledge of current facts, circumstances and future events. Actual results may differ, possibly significantly, from those estimates. The areas requiring a high degree of judgement or where assumptions and estimates are significant to the accounts are discussed below.

#### *Estimates*

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.

Contract accounting requires estimates to be made for contract costs and income. In many cases, these contractual obligations span more than one financial period. Also the costs and income may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved.

Management bases its estimation of costs and income and its assessment of the expected outcome of each contractual obligation on the latest available information, 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.

#### *Judgements*

The Group considers Going Concern as an area of judgement and has included specific disclosure in relation to this within note 1 (iii). In light of the current liquidity and forecasts, this is not considered a significant judgement.

## Wates Property Services Limited Annual accounts and reports 2021

### Notes to the accounts

<b>2</b>	<b>Group statutory turnover</b>	<b>2021</b> <b>£000s</b>	<b>2020</b> <b>£000s</b>
	Construction contracts	65,223	73,556
	Rendering of services	147,981	140,379
		<b>213,204</b>	<b>213,935</b>

Group statutory turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

<b>3</b>	<b>Exceptional items</b>	<b>2021</b> <b>£000s</b>	<b>2020</b> <b>£000s</b>
	Group operating profit has been arrived at after recognising the following items that are considered to be exceptional because of their size or non-recurring nature:		
	Coronavirus Job Retention Scheme grant income	-	1,708
	Furlough costs	-	(2,350)
	Restructuring costs	-	(325)
		-	(967)

No exceptional costs were incurred by the Group in 2021.

In 2020, Coronavirus Job Retention Scheme grant income was government grant income received under the Coronavirus Job Retention Scheme in respect of furloughed employees. All amounts were received in cash during that year.

Furlough costs consisted of salary costs made to staff whilst on furlough who were therefore not performing any services for the Group. The cost incurred in 2020 included salary costs paid to staff in excess of the Coronavirus Job Retention Scheme grant income. In that year £1,743,000 of the furlough costs were recognised within cost of sales and £607,000 were included within administrative expenses.

Restructuring costs incurred in 2020 consisted 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 40 employees left the business. The redundancy programme was instigated as a direct consequence of the Wates Group's response to the pandemic. In that year £278,000 of the restructuring costs were recognised within cost of sales and £47,000 were included within administrative expenses.

## Wates Property Services Limited Annual accounts and reports 2021

### Notes to the accounts

<b>4 Group operating profit/(loss)</b>	<b>2021</b>	<b>2020</b>
	<b>£000s</b>	<b>£000s</b>
This is stated after charging/(crediting):		
Amortisation of goodwill	417	417
Auditors' remuneration *		
- audit of these accounts	69	57
- audit of subsidiary accounts	37	31
Depreciation of tangible assets (including profit on disposal £nil (2020: £1,000))	781	771
Hire of plant and machinery	511	521
Operating lease payments	3,517	2,795
Research and development taxation credits	(33)	(80)

\* excludes fee payments made through associates

<b>5 Staff numbers and costs</b>	<b>2021</b>	<b>2020</b>
	<b>£000s</b>	<b>£000s</b>
The aggregate payroll costs for the Group were as follows:		
Wages and salaries	31,149	29,139
Social security costs	3,160	2,968
Other pension costs	2,015	1,943
	<b>36,324</b>	<b>34,050</b>

The pension operating cost for the year was £1,256,000 (2020: £1,260,000) in respect of defined benefit arrangements and £759,000 (2020: £683,000) in respect of defined contribution arrangements.

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

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Administration and management	399	384
Operatives	505	464
	<b>904</b>	<b>848</b>

## 6 Remuneration of directors

One (2020: one) director receives remuneration from the Group as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000s</b>	<b>£000s</b>
Director's emoluments	341	273
Amounts receivable under long-term incentive scheme	335	-
Contributions to money purchase pension scheme	4	5
<b>Total</b>	<b>680</b>	<b>278</b>

None (2020: none) of the other directors received any emoluments for their services as directors of this Group.

**Wates Property Services Limited Annual accounts and reports 2021**  
**Notes to the accounts**

**7 Net interest receivable/(payable)**

	<b>2021</b>	<b>2020</b>
	<b>£000s</b>	<b>£000s</b>
<b>Interest payable and similar charges</b>		
Group undertakings	-	(126)
Other	(7)	(23)
	<b>(7)</b>	<b>(149)</b>
<b>Interest receivable</b>		
Group undertakings	<b>61</b>	-
Bank interest	-	26
Other	-	1
	<b>61</b>	<b>27</b>

**8 Taxation on profit/(loss)**

	<b>2021</b>	<b>2020</b>
	<b>£000s</b>	<b>£000s</b>
<b>a) Analysis of the charge /(credit) in the year</b>		
<b>Current tax</b>		
UK corporation tax on the profit/(loss) for the year	<b>638</b>	(33)
Adjustments in respect of prior years	<b>(11)</b>	(2)
<b>Total current tax</b>	<b>627</b>	<b>(35)</b>
<b>Deferred tax</b>		
Impact of change in tax rate	-	(10)
Originating and reversal of timing difference	<b>1</b>	(46)
Adjustments in respect of prior years	<b>(1)</b>	13
<b>Total deferred tax</b>	<b>-</b>	<b>(43)</b>
<b>Total tax on profit/(loss)</b>	<b>627</b>	<b>(78)</b>

During the year beginning 1 January 2022, 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.



# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 8 Taxation on profit continued

#### b) Factors affecting the total tax charge/(credit) for the year

The total tax charge/(credit) for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000s	2020 £000s
Profit before taxation	3,866	2,122
Less share of (loss)/profit after tax of associates taxed as separate entities	(33)	43
Group profit before tax	3,833	2,165
Group profit at the standard rate of corporation tax in the UK of 19% (2020: 19%)	728	411
Effects of:		
Permanent disallowable costs	67	(125)
Change in tax rate/timing differences	5	(3)
Group relief	(162)	(372)
Adjustments in respect of prior years	(11)	11
Group total tax charge/(credit) for the year	627	(78)

### 9 Intangible assets - goodwill

	£000s
<b>Group</b>	
<b>Cost 1 January 2021 and 31 December 2021</b>	<b>8,342</b>
Amortisation:	
At 1 January 2021	2,555
Provided during the year	417
<b>At 31 December 2021</b>	<b>2,972</b>
Net book amounts:	
<b>At 31 December 2021</b>	<b>5,370</b>
At 31 December 2020	5,787

The net book value of goodwill at 31 December 2021 includes amounts and remaining amortisation periods regarding the following acquisition:

Acquisition	Remaining amortisation period	Net book value of goodwill
Purchase Group	12.9 years	£5,370,000

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 10 Tangible assets

<b>Group</b>	Leasehold improvements £000s	Plant and Equipment £000s	Business systems software £000s	Group total £000s
Valuation or cost:				
At 1 January 2021	252	473	3,939	4,664
Additions	-	-	398	398
Disposals	-	(341)	-	(341)
<b>At 31 December 2021</b>	<b>252</b>	<b>132</b>	<b>4,337</b>	<b>4,721</b>
Depreciation:				
At 1 January 2021	146	405	2,594	3,145
Provided during the year	53	16	712	781
Disposals	-	(341)	-	(341)
<b>At 31 December 2021</b>	<b>199</b>	<b>80</b>	<b>3,306</b>	<b>3,585</b>
Net book amounts:				
<b>At 31 December 2021</b>	<b>53</b>	<b>52</b>	<b>1,031</b>	<b>1,136</b>
At 31 December 2020	106	129	1,285	1,520

<b>Company</b>	Leasehold improvements £000s	Plant and Equipment £000s	Business systems software £000s	Company total £000s
Valuation or cost:				
At 1 January 2021	252	444	3,802	4,498
Additions	-	-	398	398
Disposals	-	(317)	-	(317)
<b>At 31 December 2021</b>	<b>252</b>	<b>127</b>	<b>4,200</b>	<b>4,579</b>
Depreciation:				
At 1 January 2021	146	377	2,517	3,040
Provided during the year	53	16	692	761
Disposals	-	(317)	-	(317)
<b>At 31 December 2021</b>	<b>199</b>	<b>76</b>	<b>3,209</b>	<b>3,484</b>
Net book amounts:				
<b>At 31 December 2021</b>	<b>53</b>	<b>51</b>	<b>991</b>	<b>1,095</b>
At 31 December 2020	106	67	1,285	1,458

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 11 Investments

Group	Associates £000s
At 1 January 2021	248
Share of profit	33
<b>At 31 December 2021</b>	<b>281</b>

The Group holds the following interest in the ordinary share capital of the following company:

	Interest	Registered office
Countrywise Repairs Limited	49.0%	Monson House, Monson Way, Tunbridge Wells, Kent TN11 1LQ

#### Company

Subsidiaries	Shares in Group Undertakings £000s
At 1 January 2021	6,511
Reversal of impairment	832
<b>At 31 December 2021</b>	<b>7,343</b>

The cost of shares in Group undertakings is £13,611,000 (2020: £13,611,000). A reversal of impairment of £832,000 (2020: £70,000) was recognised in the year.

Associates	Shares in Associates £000s
<b>At 1 January and 31 December 2021</b>	<b>98</b>

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

Purchase Group Limited (owned directly by Wates Property Services Limited)  
 G. Purchase Construction Limited  
 GW 217 Limited  
 Purchase Home Improvements Limited  
 Purchase Homes Limited  
 Purchase Support Limited

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.

**Wates Property Services Limited Annual accounts and reports 2021**  
**Notes to the accounts**

**12 Stocks**

	2021 £000s	2020 £000s
<b>Group and company</b>		
Raw materials and consumables	130	92

**13 Debtors**

	Group 2021 £000s	Group 2020 £000s	Company 2021 £000s	Company 2020 £000s
Trade debtors	15,748	16,363	15,017	15,206
Amounts owed by group undertakings	3,869	4,572	3,777	-
Amounts owed by subsidiary undertakings	-	-	82	44
Amounts recoverable on contracts	17,987	18,633	17,765	18,351
Corporation tax receivable	-	20	-	-
Deferred taxation (note 17)	130	130	104	110
Other debtors	102	193	102	399
Prepayments and accrued income	1,529	2,225	1,523	2,216
	<b>39,365</b>	<b>42,136</b>	<b>38,370</b>	<b>36,326</b>

**14 Creditors: amounts falling due within one year**

	Group 2021 £000s	Group 2020 £000s	Company 2021 £000s	Company 2020 £000s
Trade creditors	11,006	14,085	10,942	13,970
Amounts owed to group undertakings	1,042	10,349	951	10,304
Corporation tax payable	561	-	611	12
Other taxes and social security	5,053	1,311	4,902	1,276
Other creditors	661	663	657	662
Accruals	8,636	10,057	8,378	9,507
Deferred income	1,945	2,167	1,945	2,167
	<b>28,904</b>	<b>38,632</b>	<b>28,386</b>	<b>37,898</b>

Other taxes and social security include £nil (2020: £143,000) due under the Government's VAT Deferral New Payment Scheme.

# Wates Property Services Limited Annual accounts and reports 2021

## Notes to the accounts

### 15 Creditors: amounts falling due after one year

	Group 2021 £000s	Group 2020 £000s	Company 2021 £000s	Company 2020 £000s
Other taxes and social security	-	54	-	-
Deferred income	-	923	-	923
	-	977	-	923

Other taxes and social security include £nil (2020: £54,000) due under the Government's VAT Deferral New Payment Scheme.

### 16 Provisions for liabilities

	Group 2021 £000s	Group 2020 £000s	Company 2021 £000s	Company 2020 £000s
At 1 January	-	-	-	-
Charged to profit and loss account	1,280	-	1,280	-
	1,280	-	1,280	-

Provisions are trade related and are the Group's estimates of what is expected to be paid. The provision is expected to be utilised within 12 months of the balance sheet date.

### 17 Deferred taxation

	Group 2021 £000s	Company 2021 £000s
At 1 January 2021	130	110
Charged to profit and loss account	-	(6)
<b>At 31 December 2021</b>	<b>130</b>	<b>104</b>

Deferred tax is provided as follows:

	Group 2021 £000s	Group 2020 £000s	Company 2021 £000s	Company 2020 £000s
Accumulated depreciation less than capital allowances	130	130	104	110

Deferred tax assets are all under one year.

In line with the announcement in The Finance Act 2020 which received Royal Assent on 22 July 2020, deferred taxation balances in 2020 were measured at 19%. In line with The Finance Act 2021 which received Royal Assent on 10 June 2021, and which increased the main rate of corporation tax from 19% to 25% from 1 April 2023, all opening deferred taxation balances were remeasured at rates between 19% and 25% in line with their expected crystallisation date, with an adjustment recognised in the 2021 total tax charge.

## Wates Property Services Limited Annual accounts and reports 2021

### Notes to the accounts

#### 18 Called up share capital and reserves

	2021 £000s	2020 £000s
Group and company		
Allotted, called up and fully paid: 205,418 (2020: 205,418) ordinary shares of £1 each	205	205

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

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

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

	2021 £000s	2020 £000s
<b>Group operating profit including associates</b>	<b>3,812</b>	<b>2,244</b>
Depreciation and amortisation	1,198	1,189
Associates	(33)	43
(Increase)/decrease in stocks	(38)	115
Decrease/(increase) in debtors	2,771	(245)
Decrease in creditors	(11,343)	(1,456)
Increase in provisions	1,280	-
<b>Cash from operations</b>	<b>(2,353)</b>	<b>1,890</b>
Interest received	61	27
Interest paid	(7)	(149)
Corporation tax (paid)/received	12	(1,114)
<b>Net cash outflow from operating activities</b>	<b>(2,287)</b>	<b>654</b>

#### 20 Operating leases commitments

	2021 £000s	2020 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	2,303	1,914
Between one and five years	3,116	2,556
	<b>5,419</b>	<b>4,470</b>

#### 21 Related party transactions

The Group and company has taken advantage of exemptions within FRS 102 from disclosing transactions between wholly owned members of a group.

## **Wates Property Services Limited Annual accounts and reports 2021**

### **Notes to the accounts**

#### **22 Ultimate parent company**

The company's immediate parent company and ultimate parent company are, respectively, Wates Construction Limited (which owns 100% of the company's share capital) and Wates Group Limited, both of which are incorporated in Great Britain and registered in England and Wales. The smallest group into which the results of the company are consolidated is Wates Construction Limited and the largest group into which the results of the company are consolidated is Wates Group Limited.

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