

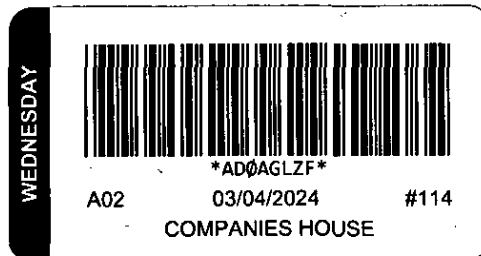
Parent for: 5822443

Company number: 01141788

WATES PROPERTY SERVICES LIMITED

Annual reports and accounts

for the year ended 31 December 2023



Wates Property Services Limited Annual reports and accounts 2023

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Directors and advisors

Directors	H.P. Bunch B.C. Desanges D.K.E. Morgan S.J. Potter P.C. Rowan P.S. Threader 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 reports and accounts 2023

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 2023.

Principal activities

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

- The provision of planned and responsive 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 facilities management services; planned and reactive maintenance solutions to single and multi-site operations (Wates FM).

Business review

The Group recorded strong results for 2023, with positive momentum in bidding pipeline and order book underpinning our growth strategy.

Living Space has increasingly strong tailwinds driven by a strong demand for services. The business successfully navigated through industry pressures such as inflation and skills shortages, delivering significant growth in 2023. Solid operational performance is underpinned by a robust operating framework, market leading quality, innovation, safety and excellent people, leading to high client satisfaction levels and contract retentions.

Forward order book stood at £1.7bn at the end of December 2023, with key new long-term contracts secured with Greenwich, A2 Dominion, Citizen, Places for People and Croydon Council. Significant success also secured in £100m SHDF Wave 2 funding applications in line with key targets for growth, with good forward visibility of future decarbonisation revenues.

Living Space has an exciting future and is very well positioned for further organic growth in the markets in which we operate, supported by regulation change and the requirements to decarbonise social housing stock.

Wates FM continues to secure market share delivering Hard FM services across the public and private sector reporting strong performance for 2023.

New contracts secured with Yorkshire Building Society and QinetiQ, along with key contract retentions helped Wates FM end the year with an order book of £0.2bn. The general market conditions remain favourable for growth, with the business well positioned to secure further market share in the medium term.

Purpose and strategy

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.

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

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

Through this process, the Wates Group Board proposed a core statement of purpose at its March 2024 meeting: 'Reimagining places for people to thrive'.

Wates Property Services Limited Annual reports and accounts 2023

Strategic report

This is underpinned by three promises:

- Thriving places – Working with customers and communities to create places that are more sustainable, inclusive, and help drive social mobility.
- Thriving planet – Protecting nature and taking action on climate change by collaborating and innovating with our partners.
- Thriving people – Creating employment and opportunities where everyone feels included, invested in and cared for, right across our supply chain.

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

Financial performance

In 2023, the business performed well in response to challenging economic conditions.

- Group statutory turnover, increased by 54% in the year to £364.4m (2022: £236.0m)
- Group statutory operating profit increased by 97% in the year to £8.7m (2022: £4.4m)
- Group operating margin increased to 2.4% (2022: 1.9%)
- Group earnings before interest, tax, depreciation and amortisation (EBITDA) as a percentage of Group statutory turnover increased to 2.7% (2022: 2.4%)

Note that during 2023, the Wates Group divisionalisation programme has further progressed to novate contracts from other Wates Group entities into Wates Property Services Limited, to report all Living Space and Wates FM contracted revenue within a single legal entity. As a result, turnover of £61.4m recorded in 2023, relates to contracts that have novated from other parts of the Wates Group at various points during the year.

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 19.

Section 172 Companies Act 2006

This report sets out how the Directors of Wates Property Services Limited comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Wates Group Board's decision making throughout 2023. The report for Wates Group Limited 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 Wates Group Board and all decisions take into account the impact on a wide range of stakeholders. Views of stakeholders are gathered in Wates Group Board papers and inform the decisions made in Wates Group Board meetings. Stakeholders are impacted by, or benefit from, decisions made by the Wates Group Board in different ways. However, it is the Wates Group 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.

Wates Property Services Limited Annual reports and accounts 2023

Strategic report

Long-term strategy and vision

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

The focus of the Wates Group Board in 2023 has continued to be ensuring that the Wates Group effectively manages the risks posed by high inflation and interest rates, while ensuring that the Wates Group is positioned to take advantage of the many opportunities for future growth. The Wates Group 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 Wates Group Board considers factors such as competitor behaviour, the performance of the residential and construction sectors, as well as evolving social, economic, political and market conditions.

During 2023 a detailed strategic review was undertaken by the Wates Group. This was driven by each part of the Business taking a deep dive into their markets with a specific focus on opportunities likely to come from environmental sustainability and technological innovation. As well as sustainability and innovation, the strategy particularly focused on: allocating available capital to invest for growth; maximising the social value we add to the communities we work in; a drive to improve productivity and efficiency; and the ongoing need to invest in our people and future talent. The strategy was reviewed in detail by the Wates Group Board in late 2023 and will be finalised in early 2024. For further information see page 7 of the Wates Group financial statements.

In determining the strategic plan, as well as the day-to-day management of the business, the Wates Group 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"> Wates Group roadshows led by the Chief Executive Fourth annual Inclusion Month in September 2023 focussing on allyship Employee Networks led engagement activities like check in chat sessions Employee Engagement and Wellbeing survey Site and office visits by shareholders, directors and Executive Committee Video content from the family and executive directors Wates Group-wide newsletters, blogs and webinars Internal and external social media channels 	<ul style="list-style-type: none"> Implementation of our new profit share bonus scheme across the Wates Group for 2023 performance year, paying out in excess of £20m to employees when the Wates Group meets its targets Inclusion of a comprehensive suite of non-financial targets within our bonus scheme to ensure alignment between employee reward and holistic business performance, including environmental sustainability, gender diversity and safety Introduction of a car salary sacrifice (electric) scheme which resulted in a 3% employee take-up rate Refresh of the #WatesTogether approach to build a fair place to work where everyone can thrive. It has three key pillars of actions: Fair Treatment, Fair Opportunities and Fair Hiring Reverse Mentoring programme, which pairs 	<ul style="list-style-type: none"> 'People' on pages 24 to 31 of the Wates Group financial statements.

Wates Property Services Limited Annual reports and accounts 2023

Strategic report

EMPLOYEES

How the Wates Group engages

- Wates Group Leadership Conference and quarterly calls from which messaging is cascaded to the colleagues

Outcomes

- white leaders with colleagues from under-represented ethnicities
- Mentoring Circles programme where groups of up to 5 women are mentored by senior business leaders on career management, negotiation skills, team effectiveness and relationship building
- Internal Mobility Pilot using the Surveying function to enable colleagues to explore career transitions
- Our voluntary employee networks creating safe spaces for colleagues with minoritised identities
- Enhanced support for Menopause
- Partnering with Specialists like Women into Construction, STEM Returners, Change 100 to create pathways for untapped talent pools into the Wates Group.

Further details

CUSTOMERS

How the Wates Group engages

- Regular customer engagement surveys by external companies
- Meetings and events (either face-to-face or virtually)
- Interaction through the Wates Innovation Network (WIN) portal
- Contract negotiation, ongoing management, site visits etc.
- Indirect engagement through the Wates Group website, social media interaction, project reports and marketing material
- Communication about changes to legislation
- Invitation to participate at Wates Group Leadership conferences

Outcomes

- Net Promoter Score (NPS) survey outcomes reviewed by the Wates Group Board on a monthly basis to monitor progress in customer engagement
- Feedback received from customers
- Through Wates Sustainable Technology Services (WSTS) and the WIN portal, the 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 inflation and product, materials and labour supply issues on their projects and contracts
- Strong customer retention across all of the Wates Group's businesses
- Continued implementation of Customer Excellence training programme
- Delivering safely, to a high quality, on time and in line with contractual requirements

Further details

- 'Harlington School' case study on page 54 of the Wates Group financial statements.

Wates Property Services Limited Annual reports and accounts 2023

Strategic report

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
- Annual Supplier Conference for key Wates Group supply chain partners
- Partner and active member of Supply Chain Sustainability School

Outcomes

- Providing effective support to supply chain partners in respect of changes in regulation
- 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 high inflation and shortages in product, materials and labour)
- The Wates Group's commitment to the Prompt Payment Code has ensured that at least 95% of invoices are paid within 60 days, with Wates Construction Limited and Wates Property Services Limited both paying 98% of their invoices within 60 days
- Assisting our supply chain partners to meet mutual short and long-term sustainability targets

Further details

- 'Principle 6 Stakeholders' on page 144 of the Wates Group financial statements.

FINANCIAL INSTITUTIONS

How the Wates Group engages

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

Outcomes

- Extension of the Wates Group's Revolving Credit Facility for an additional year to March 2026
- Ongoing covenant compliance and positive average daily net cash of £77.0m (2022: £80.2m)

Further details

- 'Treasury management' on page 115 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 with sustainable solution providers and promotion of their services

Outcomes

- Through WSTS, the Wates Group is supporting its customers to achieve their sustainability targets through innovation
- Through WSTS' award-winning WIN portal, we are continuing to grow our portfolio of partners providing new solutions to cut carbon and make the built environment

Further details

- 'Sustainability Report' on pages 82 to 92 of the Wates Group financial statements

Wates Property Services Limited Annual reports and accounts 2023

Strategic report

COMMUNITIES AND ENVIRONMENT

How the Wates Group engages

- on the WIN portal
- Present at Supply Chain Sustainability School events for SMEs
- PhD research projects with the University of Exeter and the University of Surrey
- Participation in government consultations on sustainability matters
- Direct engagement through membership of the Considerate Constructors Scheme (CCS)
- Support of charitable programmes
- Member of the Building Services Association
- Member of UK Green Building Council (UKGBC)
- Mentoring of Social Enterprises to facilitate business growth through the ASSETS programme
- Upskilling to increase employment opportunities, including for people in custody
- Providing training and supporting work experience including T-Level industry placements
- Promoting employment opportunities for people facing barriers to work
- Member of Institute of Corporate Responsibility and Sustainability (ICRS)
- Championing the real Living Wage in our Residential, FM and Developments businesses
- Monitoring our supply chain to mitigate the risk of modern slavery

Outcomes

- industry more sustainable
- In 2023, the Wates Group created £225m (subject to external assurance) of social value and engaged with 32,078 young people
- In 2023, the Wates Group spent £7.0m on SEs, taking the cumulative spend since 2007 to £53.8m. Since 2020, more than £519m (subject to external assurance) of social value has been created
- The Wates Group continues to provide funds to the Wates Family Enterprise Trust. £1.5m was contributed in 2023 (2022: £1.5m), taking the total amount given since 2008 to £18.5m
- In 2023, 63% of the Wates Group's priority suppliers were registered with the Supply Chain Sustainability School (SCSS), a 2% increase on 2022

Further details

'Wates Family Enterprise Trust' on pages 102 to 103 of the Wates Group financial statements

Wates Property Services Limited Annual reports and accounts 2023

Strategic report

SHAREHOLDERS

How the Wates Group engages

- We interact with shareholders through away days, corporate events, the Chief Executive's twice-yearly presentation to the Family Council, regular interaction with the Wates family office and through the 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 Wates Group 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 138 to 147 of the Wates Group financial statements

Standards of business conduct

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

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

The directors take very seriously their responsibility to ensure the Wates Group is a good corporate citizen. Business creates wealth that delivers the investment which, if properly managed by politicians, leads to a fairer and more prosperous society. In 2023, the 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 £387.1m (2022: £312.7m). 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 reports and accounts 2023

Strategic report

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

Definitions

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

The Wates Group 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). The Wates Group 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.

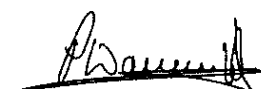
Board Governance

The Wates Group Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 31 December 2023. 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.

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.

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



P.M. Wainwright
Director

Wates Property Services Limited Annual reports and accounts 2023

Directors' report

The directors present their report together with the audited consolidated accounts for the year ended 31 December 2023. This report is to be read in conjunction with the Strategic report on pages 2 to 9.

Dividends

The directors declared dividends in 2023 totalling £3,658,000 (2022: £2,886,000) which were paid in April 2023. No further dividends have been declared in the year ended 31 December 2023.

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 enable them to 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 use a variety of media to inform employees about development and prospects and seek out and listen to employees' views and opinions at all times.

The 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 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 a series of roadshows in Spring 2023, held at various locations across the UK.

Employee surveys are undertaken periodically to allow colleagues to provide honest feedback about their experience working at Wates. During the year, the 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 through the Wates Group-wide intranet, Edi, and enterprise social network Yammer; electronic bulletins; notice boards; films; social media, the Wates Group's website, and blogs from contributors from all parts of the Wates Group.

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. Statistics relating to the average number of people employed by the Group during the year can be found in note 4 to the accounts.

Equal opportunities

The 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 creating and sustaining a fair and inclusive working environment where everyone can thrive. Encompassing the full employment life cycle, our policies and processes are designed to help us hire the best person for the job from a wider, more diverse talent pool and to ensure everyone is treated fairly and with respect. If someone finds themselves not treated fairly, they have access to channels to share their experience. Where an employee speaks up, they are listened to, and appropriate action is taken. The Wates Group is committed to offering fair opportunities to all

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Directors' report

Equal opportunities continued

employees. This includes equitable access to development and progression opportunities to build a meaningful career of choice and equity in pay for all.

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.

Directors

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

H.P. Bunch
B.C. Desanges (appointed 24 May 2023)
D.K.E. Morgan
S. J. Potter
P.C. Rowan
P.S. Threader (appointed 24 May 2023)
P.M. Wainwright

Director's indemnity

A director benefited from a qualifying pension scheme indemnity provision during the financial year but not at the date of this report.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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. The directors have received a letter of support from Wates Group Limited confirming that, as at the date of signing the accounts, it is their intent that it will continue to provide sufficient operational and financial support to the company, to the extent that it is required to enable the company to meet its liabilities as and when they fall due for a period of at least 12 months from the date of approval of the financial statements.

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.

Wates Property Services Limited Annual reports and accounts 2023

Directors' 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 financial statements which may be obtained from the address stated in note 19.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Approved by the Board of Directors on 21 March 2024 and signed 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 reports and accounts 2023

Statement of directors' responsibilities in respect of the financial statements

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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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.

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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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Wates Property Services Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2023 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 cashflow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the 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.

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 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 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

Wates Property Services Limited Annual reports and accounts 2023

Independent auditors report to the members of Wates Property Services Limited

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

Wates Property Services Limited Annual reports and accounts 2023

Independent auditors report to the members of Wates Property Services Limited

including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be, but not limited to, the Companies Act 2006, distributable profits legislation and UK pension and tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation, data protection legislation and employment law.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Involvement of tax specialists in the audit.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls that are otherwise operating effectively.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls that are otherwise operating effectively.

Wates Property Services Limited Annual reports and accounts 2023

Independent auditors report to the members of Wates Property Services Limited

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria and considered whether there was evidence of bias by the Directors within the significant judgements and estimates by agreeing to supporting documentation;
- Involvement of internal forensic specialists in the fraud risk assessment procedures;
- Assessing significant estimates made by management for bias; and
- Testing operating effectiveness of controls around procurement and tendering process.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

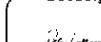
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:



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Peter Latham (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

21 March 2024

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

Wates Property Services Limited Annual reports and accounts 2023
Consolidated profit and loss account
For the year ended 31 December 2023

	Note	2023 £000s	2022 £000s
Group turnover:			
Group and share of associates		364,362	237,342
Less share of turnover of associates		-	(1,352)
Group statutory turnover	2	364,362	235,990
Cost of sales		(292,413)	(190,094)
Gross profit		71,949	45,896
Administrative expenses		(63,263)	(41,476)
Group operating profit	3	8,686	4,420
Share of post-tax profit from associates		30	10
Group statutory operating profit: Group and share of associates		8,716	4,430
Analysed between:			
Total operating profit before interest and tax		8,688	4,465
Tax – associates		28	(35)
Interest receivable	6	322	-
Interest payable and similar charges	6	-	(47)
Group statutory profit before tax		9,038	4,383
Analysed between:			
Group profit before tax and before tax of associates		9,010	4,418
Tax – associates		28	(35)
Tax on profit	7	(1,800)	(232)
Group profit for the financial year		7,238	4,151

The above results have been derived from continuing operations.

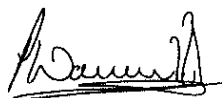
A statement of comprehensive income has not been presented as the total comprehensive income of the Group for the above two years is the profit for those financial years.

Wates Property Services Limited Annual reports and accounts 2023**Company number: 01141788****Consolidated balance sheet****At 31 December 2023**

	Note	2023 £000s	2022 £000s
Fixed assets			
Intangible assets - goodwill	8	4,536	4,953
Tangible assets	9	4,886	1,246
Investments in associates	10	124	290
		9,546	6,489
Current assets			
Stocks	11	70	60
Debtors			
- due within one year	12	80,610	55,160
- due after one year	12	84	21
		80,694	55,181
Cash at bank and in hand		15,455	15,039
		96,219	70,280
Creditors: amounts falling due within one year	13	(69,124)	(43,708)
Net current assets		27,095	26,572
Total assets less current liabilities		36,641	33,061
Net assets		36,641	33,061
Capital and reserves			
Called up share capital	15	205	205
Profit and loss account	15	36,436	32,856
Total shareholders' funds		36,641	33,061

The notes on pages 23 to 37 form part of these accounts.

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



P.M. Wainwright
Director

Wates Property Services Limited Annual reports and accounts 2023**Company number: 01141788****Company balance sheet****At 31 December 2023**

	Note	2023 £000s	2022 £000s
Fixed assets			
Tangible assets	9	4,886	1,227
Investments	10	7,592	7,255
		12,478	8,482
Current assets			
Stocks	11	70	60
Debtors			
due within one year	12	80,656	48,659
due after one year	12	84	21
		80,740	48,680
Cash at bank and in hand		15,374	14,316
		96,184	63,056
Creditors: amounts falling due within one year	13	(76,583)	(43,622)
Net current assets		19,601	19,434
Total assets less current liabilities		32,079	27,916
Net assets		32,079	27,916
Capital and reserves			
Called up share capital	15	205	205
Profit and loss account	15	31,874	27,711
Total shareholders' funds		32,079	27,916

The notes on pages 23 to 37 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £7,821,000 (2022: £4,572,000).

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



P.M. Wainwright
Director

Wates Property Services Limited Annual reports and accounts 2023

Consolidated statement of changes in equity At 31 December 2023

	Called up share capital £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2021	205	31,591	31,796
Total comprehensive income	-	4,151	4,151
Dividends declared on equity shares		(2,886)	(2,886)
At 31 December 2022	205	32,856	33,061
Total comprehensive income		7,238	7,238
Dividends declared on equity shares	-	(3,658)	(3,658)
At 31 December 2023	205	36,436	36,641

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 At 31 December 2023

	Called up share capital £000s	Profit and loss account £000s	Total equity £000s
At 31 December 2021	205	26,025	26,230
Total comprehensive income	-	4,572	4,572
Dividends declared on equity shares		(2,886)	(2,886)
At 31 December 2022	205	27,711	27,916
Total comprehensive income	-	7,821	7,821
Dividends declared on equity shares	-	(3,658)	(3,658)
At 31 December 2023	205	31,874	32,079

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

Wates Property Services Limited Annual reports and accounts 2023
Consolidated cashflow statement
For the year ended 31 December 2023

	Note	2023 £000s	2022 £000s
Net cash inflow from operating activities	16	8,075	3,052
Cash flows from investing activities			
Disposal of tangible fixed assets		9	28
Purchase of tangible fixed assets	9	(4,206)	(853)
Dividends received from associates	10	196	-
Net cash outflow from investing activities		(4,001)	(825)
Cashflows from financing activities			
Equity dividends paid		(3,658)	(2,886)
Net cash outflow from financing		(3,658)	(2,886)
Net increase/(decrease) in cash and cash equivalents		416	(659)
Cash and cash equivalents at beginning of year		15,039	15,698
Cash at bank and in hand		15,455	15,039

Wates Property Services Limited Annual reports and accounts 2023

Notes to the accounts

31 December 2023

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 the Companies Act 2006 and 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. See note 19 for details of the ultimate parent company.

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 affected prior to the transition to FRS 102 on 1 January 2014.

Wates Property Services Limited Annual reports and accounts 2023
Notes to the accounts
31 December 2023

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 2023, the company had cash, access to £90m of undrawn bank facilities through the Wates Group's £90m Revolving Credit Facility (RCF) which expires in March 2026 (extended by one year during 2023) and a strong forward order book which underpins the forecast for 2024. The RCF was adjusted by £6m in February 2024, from £90m to £84m, following the revaluation of the Wates Group's investment properties. The directors regularly review the working capital requirements and financial resilience 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 Wates Group. Turnover levels are forecast to continue to increase throughout 2024. Within these forecasts, a significant proportion of the Wates 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 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 of the subsidiaries for the year ended 31 December 2023. 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.

In addition, the Wates Group has considered a number of potential downside sensitivities of varying impact and duration. Some reasonable possible downside sensitivities include: a significant contract loss, a significant reduction in contracting turnover, an increase in costs without any client recovery, and reductions in prices for both housing and land sales. These sensitivities do not take account of any potential mitigations available to alleviate the impact on cash flow. In assessing going concern the Wates Group has applied a probability weighting to each sensitivity to derive a severe but plausible downside scenario to test the resilience of the Wates Group's cash flow forecast. While the cash flow impact of this scenario is materially different to the current forecast, the Wates Group's forecast and severe but plausible scenario indicate that it would be able to continue trading for at least 12 months from the date of approval of the financial statements.

After making enquiries and considering the factors and sensitivities outlined above, the directors have a reasonable expectation that the Wates Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Wates Property Services Limited Annual reports and accounts 2023

Notes to the accounts

31 December 2023

1 Accounting policies continued

(iv) Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary course of business.

Turnover excludes the value of intra-group transactions and value added tax.

The Group's share of turnover of joint ventures and associates is disclosed separately in the consolidated profit and loss account.

Contracts

Turnover represents the value of work done on contracting activities, which is recognised on a percentage of completion basis with reference to costs incurred to date as a proportion of forecast total costs.

Rendering of services

Turnover is recognised as the service is performed. For contracts that are delivered as a service and when the services performed are an indeterminate number of acts over a specified period of time (for example for services such as responsive maintenance and facilities management), revenue is recognised on a straight line basis. For planned maintenance contracts where the contract can be split into individual separable projects (and revenue can be directly attributed to that project), each project is accounted for on a percentage completion basis with reference to costs incurred to date as a proportion of total costs.

(v) Research and development

Research and development costs are written off as incurred.

(vi) 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.

(vii) 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	shorter of estimated useful economic life or period of lease
Plant and equipment	1 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 reports and accounts 2023
Notes to the accounts
31 December 2023

1 Accounting policies continued

(viii) Financial instruments

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

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

Financial assets and liabilities

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

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

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

Investments

Investments are stated at cost less impairment.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(ix) 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.

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

(x) 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 reports and accounts 2023

Notes to the accounts

31 December 2023

1 Accounting policies continued

(xi) 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.

(xii) Contracts

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

Profit on contracts are considered on a profit by contract basis and only recognised when the Group is satisfied that the risks on a contract have been mitigated to a suitable level so that the forecast profit can be measured reliably. Contingencies are held on contracts to address unmitigated risks and as not all risks are mitigated until contracts have been successfully delivered, an element of contingency is not released until the contracts are nearing completion. Losses incurred to the accounting date, together with any further losses that are foreseen in bringing contracts to completion, are recognised immediately and in full.

As certain agreements can run over a considerable number of years and cover a number of individual separable projects, 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.

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.

Wates Property Services Limited Annual reports and accounts 2023

Notes to the accounts

31 December 2023

1 Accounting policies continued

(xiii) Tax

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

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

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

Deferred tax is measured using the tax rates and laws that have been 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.

(xiv) Leases

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

(xv) Retirement benefits

The Group participates in the Wates Pension Fund, a defined benefit scheme operated by a fellow subsidiary, Wates Group Services Limited which the company participates in. Sufficient information is not available for the Group to use defined benefit accounting and so the Group 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 Group are disclosed in note 4.

In the ordinary course of business, the Group sometimes transfers employees (TUPE) and takes on obligations relating to local government pension schemes. Sufficient information is not available for the Group to use defined benefit accounting for these schemes so the Group accounts for these schemes as defined contribution plans.

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

(xvi) Dividends

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

Wates Property Services Limited Annual reports and accounts 2023

Notes to the accounts

31 December 2023

1 Accounting policies continued

(xvii) 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.

Critical judgements

The Group considers that there are no critical judgments that will have a significant effect on amounts recognised in the financial statements.

Estimates

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

The most critical accounting policies and significant areas of estimation arise from the accounting for contracts.

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, reflecting both the forecasted costs and the reliable estimate of the forecasted revenue on each contract and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates is then reflected in the financial statements.

2. Group statutory turnover

	2023	2022
Analysis of statutory turnover by type	£000s	£000s
Construction contracts	177,742	99,585
Rendering of services	186,620	136,405
	364,362	235,990

Group statutory turnover is wholly within the United Kingdom.

Wates Property Services Limited Annual reports and accounts 2023
Notes to the accounts
31 December 2023

3. Group operating profit

	2023 £000s	2022 £000s
This is stated after charging/(crediting):		
Amortisation of goodwill	417	417
Auditors' remuneration *		
- audit of these accounts	230	214
Depreciation of tangible assets (including loss on disposal £11,000 (2022: £123,000))	557	715
Hire of plant and machinery	865	616
Operating lease payments	4,664	3,362
Research and development credits	(12)	(50)

* excludes fee payments made through associates

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

4. Staff numbers and costs

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

	2023 Number	2022 Number
Operations	377	393
Administration	633	395
	1,010	788

The aggregate payroll costs for the Group were as follows:

	2023 £000s	2022 £000s
Wages and salaries	48,768	30,916
Social security costs	4,921	3,319
Other pension costs	2,915	1,539
	56,604	35,774

The pension operating cost for the year was £217,000 (2022: £450,000) in respect of define benefit arrangements and £2,698,000 (2022: £1,089,000) in respect of defined contribution arrangements. Further information on retirement benefits are include in note 1 (xv).

Wates Property Services Limited Annual reports and accounts 2023

Notes to the accounts

31 December 2023

5. Remuneration of directors

	2023 £000s	2022 £000s
Director's emoluments	654	358
Amounts receivable under long-term incentive scheme	559	324
Contributions to money purchase pension scheme	22	4
Total	1,235	686

Three (2022: one) directors have retirement benefits accruing under a money purchase pension scheme.

	2023 £000s	2022 £000s
Highest paid director		
- Emoluments	375	358
- Amounts receivable under long-term incentive scheme	366	324
- Contributions to money purchase pension scheme	9	4
Total	750	686

6. Net interest receivable/(payable)

	2023 £000s	2022 £000s
Interest receivable		
Group undertakings	322	-
	2023 £000s	2022 £000s
Interest payable and similar charges		
Group undertakings	-	47

7. Tax on profit

a) Analysis of the charge in the year

	2023 £000s	2022 £000s
Current tax		
UK corporation tax on the profit for the year	957	-
Adjustments in respect of prior years	12	193
Total current tax	969	193
Deferred tax		
Originating and reversal of timing differences	824	51
Adjustments in respect of prior years	7	(12)
Total deferred tax	831	39
Total tax on profit	1,800	232

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7. Tax on profit continued

During the year beginning 1 January 2024, the net reversal of deferred tax assets is not expected to increase the corporation tax charge for the year significantly as the net reversal will be offset by lower current tax in respect of timing differences. There is no expiry date on timing differences.

b) Factors affecting the total tax charge for the year

The total tax charge for the year is lower (2022: lower) than the blended standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

	2023 £000s	2022 £000s
Profit before tax	9,038	4,383
Less share of profit after tax of associates taxed as separate entities	167	(10)
Group profit before tax	9,205	4,373
Group profit at the blended standard rate of corporation tax in the UK of 23.5% (2022: 19%)	2,163	831
Effects of:		
Income not taxable in determining taxable profit	(46)	-
Permanent disallowable costs	162	100
Change in tax rate/timing differences	40	(59)
Group relief	(538)	(821)
Adjustments in respect of prior years	19	181
Group total tax charge for the year	1,800	232

8. Intangible assets - goodwill

Group	£000s
Cost 1 January 2023 and 31 December 2023	8,342
Amortisation:	
At 1 January 2023	3,389
Provided during the year	417
At 31 December 2023	3,806
Net book amounts:	
At 31 December 2023	4,536
At 31 December 2022	4,953

The net book value of goodwill at 31 December 2023 includes amounts and remaining amortisation periods regarding the following acquisition:

Acquisition	Remaining amortisation Period	Net book value of goodwill
Purchase Group	10.9 years	£4,536,000

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9. Tangible assets

Group	Leasehold improvements £000s	Plant and equipment £000s	Business systems software £000s	Group total £000s
Valuation or cost:				
At 1 January 2023	349	128	4,726	5,203
Additions	624	1,968	1,614	4,206
Disposals	(349)	(128)	-	(477)
At 31 December 2023	624	1,968	6,340	8,932
Depreciation:				
At 1 January 2023	252	128	3,577	3,957
Provided during the year	197	140	209	546
Disposals	(349)	(108)	-	(457)
At 31 December 2023	100	160	3,786	4,046
Net book amounts:				
At 31 December 2023	524	1,808	2,554	4,886
At 31 December 2022	97	-	1,149	1,246

Company	Leasehold improvements £000s	Plant and equipment £000s	Business systems software £000s	Company total £000s
Valuation or cost:				
At 1 January 2023	349	128	4,590	5,067
Additions	624	1,968	1,614	4,206
Disposals	(349)	(128)	-	(477)
At 31 December 2023	624	1,968	6,204	8,796
Depreciation:				
At 1 January 2023	252	128	3,460	3,840
Provided during the year	197	140	190	527
Disposals	(349)	(108)	-	(457)
At 31 December 2023	100	160	3,650	3,910
Net book amounts:				
At 31 December 2023	524	1,808	2,554	4,886
At 31 December 2022	97	-	1,130	1,227

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10. Investments

Group	Associates
	£000s
At 1 January 2023	290
Repayments	(196)
Share of profit	30
At 31 December 2023	124

Repayments include dividends received from associates of £196,000 (2022: £nil).

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 TN11LQ

Company

Subsidiaries	Shares in Group
	Undertakings
	£000s
At 1 January 2023	7,157
Reversal of impairment	337
At 31 December 2023	7,494

The cost of shares in Group undertakings is £13,611,000 (2022: £13,611,000). A reversal of impairment of £337,000 (2022: £186,000 impairment) was recognised in the year.

All subsidiary undertakings are incorporated in the United Kingdom and registered in England and Wales. The registered office of all subsidiary undertakings is Wates House, Station Approach, Leatherhead, Surrey KT22 7SW. The company's subsidiary undertakings, which are wholly owned, are:

- G. Purchase Construction Limited
- GW 217 Limited
- Purchase Group Limited
- Purchase Home Improvements Limited
- Purchase Homes Limited
- Purchase Support Limited

For the year ended 31 December 2023 the following subsidiary companies were entitled to exemption from audit of individual company accounts under Section 479A of the Companies Act 2006:

- G Purchase Construction Limited (company number 04405016)
- Purchase Group Limited (company number 05322443)

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10. Investments continued

Associates	Shares in Associates £000s
At 1 January and 31 December 2023	98

11. Stocks

Group and company	2023 £000s	2022 £000s
Raw materials and consumables	70	60

12. Debtors

	Group 2023 £000s	Group 2022 £000s	Company 2023 £000s	Company 2022 £000s
Amounts falling due within one year				
Trade debtors	40,789	22,943	40,789	22,915
Amounts owed by group undertakings	337	6,412	383	-
Amounts recoverable on contracts	37,635	24,661	37,635	24,623
Deferred tax (note 14)	-	91	-	69
Other debtors	31	95	31	94
Prepayments and accrued income	1,818	958	1,818	958
	80,610	55,160	80,656	48,659
	Group 2023 £000s	Group 2022 £000s	Company 2023 £000s	Company 2022 £000s
Amounts falling due after one year				
Other debtors	84	21	84	21
	80,694	55,181	80,740	48,680

13. Creditors: amounts falling due within one year

	Group 2023 £000s	Group 2022 £000s	Company 2023 £000s	Company 2022 £000s
Trade creditors	10,865	7,349	10,865	7,348
Amounts owed to group undertakings	7,970	12,235	15,481	12,306
Corporation tax	956	-	956	-
Deferred tax (note 14)	740	-	763	-
Other taxes and social security	14,593	7,668	14,593	7,664
Other creditors	759	720	707	616
Accruals	29,647	14,276	29,625	14,228
Deferred income	3,594	1,460	3,593	1,460
	69,124	43,708	76,583	43,622

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14. Deferred tax

	Group 2023 £000s	Company 2023 £000s
At 1 January 2023	91	69
Charged to profit and loss account	(831)	(832)
At 31 December 2023	(740)	(763)

Deferred tax is provided as follows:

	Group 2023 £000s	Group 2022 £000s	Company 2023 £000s	Company 2022 £000s
Accumulated depreciation in excess of capital allowances	(740)	91	(763)	69

Deferred tax (liabilities)/assets are all under one year.

15. Called up share capital and reserves

Group and company	2023 £000s	2022 £000s
Issued and fully paid: 205,418 (2022: 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.

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

	2023 £000s	2022 £000s
Group operating profit including associates	8,716	4,430
Depreciation and amortisation	974	1,132
Associates	(30)	(10)
(Increase)/decrease in stocks	(10)	70
Increase in debtors	(25,605)	(15,855)
Increase in creditors	23,708	15,290
Decrease in provisions	-	(1,280)
Cash generated from operations	7,753	3,777
Interest received	322	-
Interest paid	-	(47)
Corporation tax paid	-	(678)
Net cash inflow from operating activities	8,075	3,052

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17. Operating leases commitments

	2023 £000s	2022 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	3,575	2,056
Between one and five years	5,104	2,134
	8,679	4,190

18. Contingent liabilities

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

19. Ultimate parent company

The company's immediate parent company and ultimate parent company are, respectively, Wates Construction Limited and Wates Group Limited, both of which are incorporated in the United Kingdom 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 accounts 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.