Annual Report & Accounts

WILLMOTT DIXON HOLDINGS

08

New Heston Road in Hounslow, a development by Inspace for Octavia Housing Association comprising 28 homes available for shared ownership and affordable rent.

WILLMOTT DIXON
WILLMOTT DIXON
WILLMOTT DIXON NEW GRANDSTAND OPENING APRIL 2009

New Grandstand at Epsom Downs Racecourse, home to the world famous Derby.

Contents

Colin Enticknap, FCIOB, MRICS
Group Chairman

Rick Willmott, MCIOB
Group Chief Executive

Christopher Sheridan FCIB, MSI
Non-Executive Director

Andrew Telfer ACA, BSc (Eng)
Executive Director

Chief Finance Officer
Duncan Canney, FCA, BSc Hons.

Secretary and Registered Office
Wendy McWilliams, LLB, ACIS
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PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
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Year ended 31 December 2008

	2008 £000	2007 £000
Group turnover	592,446	380,393
Operating profit	9,961	6,081
Profit before tax	11,971	10,145
Net current assets	28,983	6,822
Net assets	30,915	27,523
Diluted earnings per share	180.4p	148.5p

Colin Enticknap, FCIOB, MRICS

Overview

Like most other UK businesses, we shall remember 2008 as a very challenging year. One in which we saw our economy fall into severe recession, consumer demand evaporate and private sector investment all but disappear. A year in which we saw the global banking system on the brink of collapse, credit markets cease to function, and the private housing market grind to a halt. And it was also a year that saw the Group embark upon an ambitious acquisition and re-integration programme, aimed at bringing Inspace and its subsidiaries back under the umbrella of Willmott Dixon Holdings Limited ('Holdings').

Against this very difficult market backdrop, I am pleased to report that the Group has performed extremely well. We have completed our Group reorganisation, we have continued to deliver good financial results, and we have increased our resilience to what we expect to be a deteriorating UK construction and housing market.

Group reorganisation

In strategic terms, our Group reorganisation involving the re-integration of Inspace subsidiaries and realignment of certain other activities has now been completed; operational management of the non-housing maintenance and fitting out subsidiaries was transferred to the Group in early 2008, and the remaining social house building, affordable house building and domestic maintenance subsidiaries followed on 1 January 2009. Whilst re-integration has occurred in two stages, all Inspace subsidiaries have been under the direct control of Rick Willmott and his wider group team since their acquisition in early 2008 albeit those transferred more recently had been held through a related company.

With our new Group structure finally in place, Holdings now has four main trading businesses - Willmott Dixon Limited ('Willmott Dixon'), Inspace Limited ('Inspace'), Willmott Dixon Investments Limited ('Investments') and Willmott Dixon Developments Limited ('Developments').

Willmott Dixon now operates through three trading subsidiaries - Willmott Dixon Construction Limited ('Construction'), Willmott Dixon Sustain Limited ('Sustain') and Kanvas Interiors Limited ('Kanvas') - and is positioned to provide commercial and public sector clients with fully integrated support across all their property related needs.

Inspace operates through three trading subsidiaries - Inspace Partnerships Regeneration & New Homes Limited ('Partnerships *Regeneration & New Homes*'), Inspace Partnerships Maintenance & Stock Reinvestment Limited ('Partnerships *Maintenance & Stock Reinvestment*'), and Inspace Homes Limited ('Homes') - and is positioned to focus upon its core activity of building, improving and maintaining social and affordable housing.

Investments is now positioned to tender for public:private partnership ('PPP') and private finance initiative ('PFI') schemes, with particular emphasis on the Government's Building Schools for the Future ('BSF') and social housing PFI programmes. And Developments is positioned to exploit our small portfolio of strategic land assets.

To reflect the increased breadth and scale of the enlarged Group and simultaneous with the Group reorganisation, Holdings' authorised and allotted share capital was increased to £100 million with effect from 1 January 2009. *(Note 28 provides a full explanation of the Group reorganisation that took effect from 1 January 2009)*.

Financial results

In financial terms, we have continued to deliver very sound results. With only a very modest contribution from the new Inspace subsidiaries (which will not be fully consolidated into Group figures until 2009 onwards), Group turnover still increased by 56% to reach £592.4 million (2007: £380.4 million), and operating profit grew by 64% to £9.96 million (2007: £6.08 million). Whilst the progressive reduction in interest rates during the year has naturally affected interest receivable, profit on ordinary activities before taxation increased by 18% to reach £11.97 million (2007: £10.15 million).

These 2008 Group figures include turnover of £84.3 million and an operating loss of £2.69 million from the Inspace subsidiaries transferred in early 2008. They exclude, however, the 2008 results of the Inspace subsidiaries transferred on 1 January 2009, which collectively delivered a turnover of £271.3 million and an operating profit of £7.80 million. For 2009, the position will be much simpler, with the activity of all subsidiaries being consolidated within the Group results.

With these good trading results, our balance sheet has continued to strengthen; equity shareholders' funds grew to £30.9 million (2007: £27.5 million), with net current assets growing to £29 million (2007: £6.8 million). Whilst this already provided an excellent trading covenant, our balance sheet has since strengthened further following the Group reorganisation that took place on 1 January 2009. The pro-forma balance sheet included in note 28 demonstrates the effect as if the restructuring had taken place on 31 December 2008. As can be seen, equity shareholders' funds have increased substantially to £126.4 million, and net current assets have increased to £58.7 million.

Inspace was again declared the 'Best Place to work in Construction' by Contract Journal for the second consecutive year. It means that a company from the Group has won this accolade every year since 2005.

Rick Willmott has expanded upon these and other important financial and operational measures within his Group Chief Executive's review that follows.

People

Rick's sound experience and mature, balanced leadership have been instrumental in guiding the Group through this immensely busy and often challenging year. My thanks go to him, and also to Andrew Telfer and Christopher Sheridan who provide excellent support and contribute greatly towards making our board a lean but very effective decision making forum.

I would also like to thank Duncan Canney (our Chief Finance Officer), Wendy McWilliams (our Company Secretary), Paul Rolf (our Chief Information Officer), Andy Geldard (our Group Head of Communications) and Jim Higham (our Group Head of Safety) and their teams for their unstinting efforts; our businesses are hugely dependent upon the efficient central functions that they manage so ably.

But it is our front line businesses - superbly led by John Frankiewicz and Chris Durkin (the Chief Executive Officers of Willmott Dixon and Inspace respectively) - that ultimately determine our success. Immense thanks go to John, Chris and all their teams for their outstanding professionalism, enthusiasm and sheer hard work. I also hope that Chris enjoys his forthcoming sabbatical, which has been well earned, and that he returns refreshed and invigorated in the New Year.

Future prospects

Whilst we have achieved a great deal over the past year, we are far from complacent about the future; indeed we expect market conditions to deteriorate further and to remain tough for some time to come. With that in mind, each of our businesses has been preoccupied with trying to build resilience through a strong order book.

Willmott Dixon

In terms of future workload, Construction's public sector markets continue to hold up well, particularly in education where framework agreements remain robust, which has helped them create a visible platform of work stretching through 2009 and into the first half of 2010. The picture for the second half of 2010 is less certain, partly because we expect Government capital expenditure to fall in the medium term, influenced by the huge debt incurred during the recapitalisation of the banking system, and partly because we expect to face increasing competition as new entrants come into our sectors and existing frameworks mature. Efforts have therefore already begun to build market share in other sectors, retail and leisure being two good examples, and working alongside Investments, to build experience and track record in the PPP and PFI arena.

Kanvas's traditional commercial office re-fit market has been badly affected by the recession, but its recent expansion into the retail and hotel refurbishment markets through inherited relationships from Construction and Sustain, combined with its relatively modest size, offers reasonable resilience to current conditions. Having scaled back Sustain over recent months, it should now have sufficient volume potential to feed its reduced overhead.

Inspace

Despite huge pent up demand, Partnerships' *Regeneration and New Homes* market is presently affected by the lack of liquidity in the credit markets and by the loss of cross subsidy from private housing. Until these fundamental issues are resolved, we are unlikely to see a dramatic improvement. That said, with such an acute and growing shortage of social housing and with a Registered Social Landlords (RSL) movement in increasing turmoil, a political solution will ultimately have to be found. We therefore expect to see longer term resilience from this part of our business and, in the short term, overhead cost has been balanced in line with the secured order book for 2009.

Partnerships' *Maintenance and Stock Reinvestment* market remains characteristically robust, and is one of few markets to offer realistic prospects for growth. With this in mind, important initiatives are well under way aimed at improving competitiveness through improved production efficiency and budgetary control.

Homes' market has all but disappeared, and is likely to remain so until consumer confidence returns, house prices stabilise, and mortgage supply starts to normalise. Whilst we shall continue to minimise the cash invested in this business until conditions improve, we still see this as an important area for growth in the longer term. Efforts are therefore being made to assemble a portfolio of flexible deals that can be released when normal trading conditions resume.

Summary

Having performed well and delivered a good set of results during a very challenging year, our sights are now firmly focussed once more on the future.

It is, of course, a future that will remain difficult, characterised by economic, political and market uncertainty. But it is also a future that we view with our eyes wide open - with greater breadth and scale to our operations, with a clear strategy, a reasonably robust order book and, most importantly, with an excellent, well motivated team of people.

None of us can be entirely sure what the future holds, but we remain confident in our ability to cope well with this recession and to put ourselves in position to take full advantage of the opportunities that follow.

Colin Enticknap

Group Chairman

The Golden Lane Campus secondary school in Islington, built within a very confined area close to the City.

We entered 2008 in the knowledge that two primary challenges would have an effect on the success of each company that now forms a part of the Willmott Dixon Holdings Group.

The first, the re-acquisition of Inspace, was within our control and provided a superb opportunity to present a broader, more diverse and resilient business proposition for our ultimate shareholders and to our customers; all within a shared 'one business' culture, as our industry reached the end of its 'golden era'.

The second, the deteriorating state of the UK economy, was a challenge which we had to some degree been expecting and guarding against for some time. However the depth and extent of the global collapse, driven by the evaporation of financial confidence, could not have been foreseen and the longevity of its impact can, even now, only be speculated upon. Of what we can be certain, is that the construction sector has, in previous recessions, been most severely impacted towards the end of the economic cycle, perhaps best characterised by the industry expression - 'last in and last out'.

Rick Willmott, MCIOB

Organisations can, of course, respond to recessions in differing ways. Some are ill equipped to deal with the difficulties, relying upon short term strategies combined with 'knee jerk' decisions; market share is retained by sacrificing margin, rather than by becoming truly competitive; and as a result, confidence in a business can be lost both internally and externally.

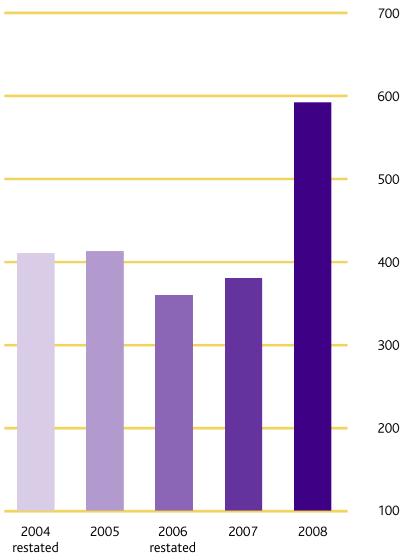
Others, like ours, prefer to respond positively, recognising that times like this offer the potential to hone strategies and re-engineer business models, and challenge us to find more competitive ways of doing business, of identifying new opportunities as yet untapped by the competition, and of remaining confident that your people will prove their worth by rising to the call of the company.

As ever, there is also a place for practical realism alongside optimism. I believe that all the companies operating within the Willmott Dixon Group bear that hallmark and are tackling the obvious challenges calmly and prudently, working extremely hard to find the best way of thriving during the next few years until some normality and predictability returns to our markets.

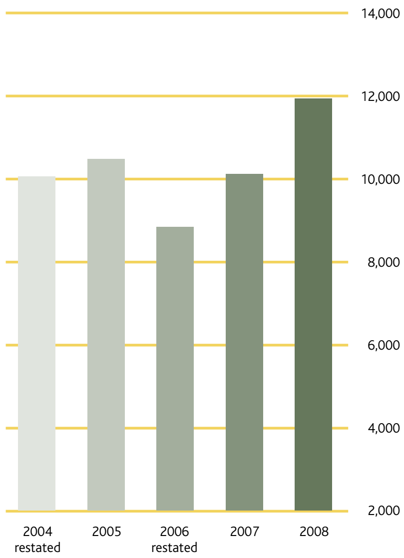
Colin's Group Chairman's statement has already reported on the strategic and financial highlights of 2008 and the five year graphical history of some of our key financial measures are depicted on the right. My report, this year, will focus on the operational performance, the scale and prospects of each of the key companies at work within the Group.

Ed Balls, Secretary of State for Children, Schools and Families, joined Education Minister Jim Knight in launching the Primary Capital Programme (PCP) at Willmott Dixon's John Perryn Primary School in Ealing. The PCP is a Government commitment to renew at least half of all primary school buildings by 2022.

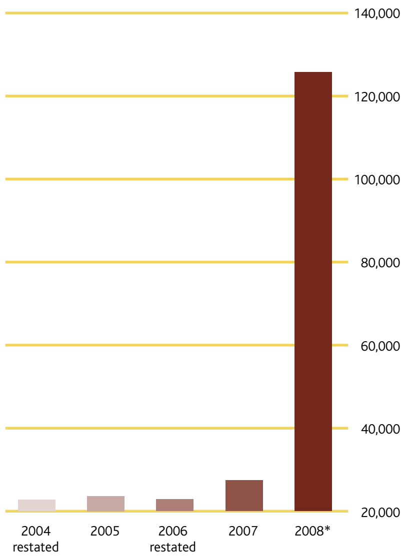
Turnover (£millions) for the Group during the past five years



PBT excluding exceptionals (£000) for the Group during the past five years

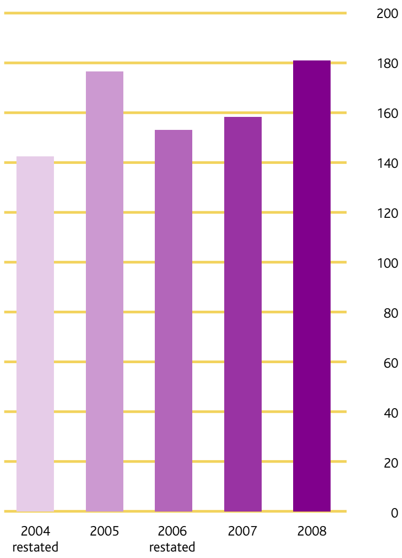


Shareholders' funds (£000) during the past five years

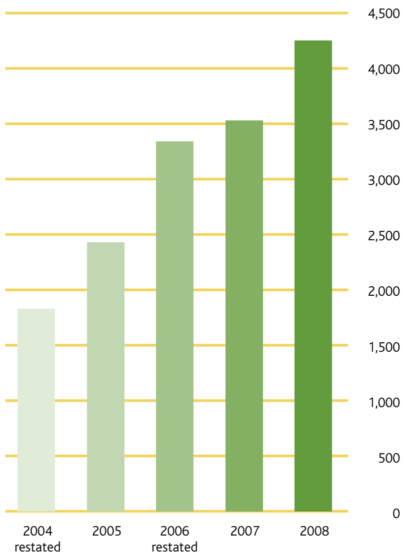


*Stated after restructuring with effect from 1 January 2009

Earnings (pence) per share excluding exceptionals for the group during the past five years



Incentive payments to staff (£000) during the past five years



Willmott Dixon – under the clear and strategic leadership of Chief Executive Officer John Frankiewicz, whose supreme efforts cannot go un-mentioned, provides public and private sector customers with an extensive range of services under the following brands:

Willmott Dixon Construction ('Construction') 2008 turnover of £507.9 million.

Construction continues to form the 'backbone' of both Willmott Dixon and indeed the wider Group. Its performance has remained at the very highest level in its sector providing excellent and predictable profit in every operating region, including the newly formed Manchester office which, in its first year of trading, matched all the key metrics displayed in more well established regions. The company's continued progression, some 33.9% growth on the previous year, is attributable to an exceptional and committed senior management team led by six *Local Company Office* Managing Directors: Anthony Dillon, Brian Drysdale, Mike Hart, Robert Lambe, Peter Owen and Mark Tant. Great teamwork and a flexible strategy aimed at empowering each Managing Director to deliver locally whilst contributing resource and intellect to wider national strategies, has proved again to be a successful formula.

John Frankiewicz, FCIOB
Chief Executive Officer Willmott Dixon

Each part of Construction is characterised by:

- high levels of staff retention
- excellent project delivery
- strong forward order books and high levels of customer satisfaction
- exceptional control and prudent financial reporting
- capacity, appetite and success in bidding major Government frameworks and capital programme initiatives

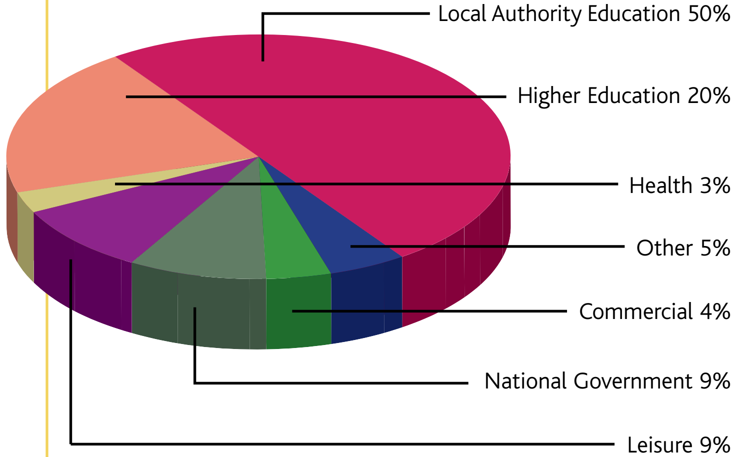
We are delighted to count BAA Limited, Partnerships for Schools, SCAPE and the National Offender Management Service amongst our strong list of long term strategic national customers and Cambridgeshire, Cheshire, Leicestershire, Manchester, Monmouthshire and Wigan within a prestigious list of long term regional Local Authority clients.

The company is recognised as one of the most effective deliverers of new educational facilities across the country, winning nearly £350 million of contract awards from the Government's Local Academies Framework, and achieving successful appointments from three Building Schools for the Future consortia for contracts valued in excess of £250 million.

In the Law and Order sector we have successfully delivered new courts in Loughborough, a 'state of the art' police headquarters in Hatfield, and accommodation blocks and other facilities collectively valued at £150 million for the National Offender Management Service in Doncaster, Nottingham and the Isle of Sheppey.

The Leisure market has contributed strongly through the year, and we are close to completing a competition swimming pool for Corby Town Council, as the first element of their regeneration programme. The main Grandstand at Epsom Racecourse has been superbly constructed, completed and handed over to our client Racecourse Holdings, four weeks early and defect free in readiness for the 2009 Derby, a horse racing event watched by 150 million people worldwide.

The following chart defines, by sector, the focus of Willmott Dixon Construction's activities.



Whilst it is clear that our strategic choices made over a number of years to ensure that Construction secured a significant proportion of its workload from key areas of public infrastructure spending, were the correct ones, it is equally apparent that any deferral or reduction in Government investment, will have a material impact on Construction in the future, particularly at a time when there has been a virtual collapse in confidence and no substantial volume of orders available from the private sector. We must remain alert to these risks over the coming months.

Top: A Willmott Dixon team refurbished a school in Ealing inside a week to promote better learning environments.

Bottom: A new office interior courtesy of the Group's interior design and fit-out specialist Kanvas.

The new ROKO club in York, the latest in a series of clubs built across the UK for ROKO.

Willmott Dixon Sustain ('Sustain') 2008 turnover of £63.7 million.

Fully consolidated into Group results for 2008, shareholders will recall that Sustain was one element of the acquired Inspace portfolio, previously trading as Inspace Maintain.

It is this part of our business that has been most affected by the recession. The majority of its nationwide fabric and M&E maintenance activity is delivered to private sector customers who operate in the financial services, retail, hotel and leisure sectors. Unlike our building businesses, where contract volumes are defined and predictable, and therefore offer longer term visibility, Sustain's contracts are typified by high levels of discretionary customer spend. The inevitable consequence is that when the economy experiences a downturn, the volume of work allocated to Sustain can be slowed, suspended or at worst terminated.

Sustain has needed to absorb each of these challenges during 2008 and continues to experience similar trends at the start of 2009.

For this reason, John Frankiewicz has been supporting Matthew Raybould, Managing Director of Sustain, and his team to streamline and re-focus the service that Sustain offers to its customers. This has been a complex process involving, amongst other things, the transfer of all hotel related 'project work' out of this business and into Kanvas, which is better suited to deliver this work predominantly through a sub-contract workforce. This leaves Sustain able to focus on pure maintenance, delivered largely by its skilled, directly employed trade workforce. I am delighted that despite the considerable changes and challenges faced by the team during this transition process, which still continues, our high levels of customer satisfaction remain a differentiating feature in an increasingly competitive market place.

Efficiency improvement, aimed at increasing our competitiveness, remains a key objective in re-shaping Sustain for success. With this in mind, Matthew has moved the business to a centralised model for the control of labour, re-designed financial controls, enhanced IT solutions and standardised operational processes and procedures to provide the business with the very best chance of success in the current market. Continued emphasis on future proofing this business will be a major feature of our work this year as the team sets about renewing existing contracts with long term customers such as Barclays, Lloyds TSB and Newcastle University and initiating new customer accounts such as those with LA Fitness and McDonalds recently secured.

With some customers reducing their volumes, and other hotel related project work transferred to Kanvas, we expect 2009 revenues to run at around 50% of 2008 levels but with a significantly reduced overhead cost. This will improve resilience during the recession, and better place this business for growth when conditions improve.

A Willmott Dixon Sustain engineer carrying out maintenance work at a LA Fitness club.

A new interior design for the Pension Corporation's head office is just one project completed by Kanvas in the past year.

Kanvas Interiors ('Kanvas')
2008 turnover of £20.6 million.

The Kanvas team, which previously traded as Inspace Complete, has benefited significantly from synergies, strategic changes and 'cross selling' post acquisition. Historically, Gerry Graville, Managing Director at Kanvas, had operated exclusively in the commercial office fit-out market, generally in London and the South East. Whilst reasonably resilient to normal economic cycles, the workload through 2008 has been unpredictable and volatile. We have countered these features and created greater stability for the business by introducing its capabilities to a number of existing Willmott Dixon customers in the retail and hotel markets.

The results, again fully consolidated into the Group for 2008, have been very encouraging with the business delivering its budgeted profit for 2008 on a slightly raised turnover. In 2009 we expect continued growth with major fit out works for Waitrose, Morrisons and Premier Inn, alongside commercial office remodelling for Deloitte, Great Ormond Street Hospital and the South African High Commission.

Fit out and increasingly more significant refurbishment projects will become more evident in Kanvas' workload as we seek to exploit this market sector.

Re-Thinking
2008 turnover of £0.8 million.

Re-Thinking is our specialist in-house consultancy team. Their remit is to research and deliver practical solutions to complex technical issues, particularly focussed on sustainability and innovation in the built environment.

With a number of trained BREEAM (Building Research Establishments Environmental Assessment Method) assessors in place, the Re-Thinking team is able to play a major role in the design and delivery of high quality, inspirational buildings capable of delivering lower operating costs and reduced environmental impact. These features are often demonstrated in practice through our 'Post Occupancy Evaluation' of a project, a means of objectively proving cost and energy savings to underpin a building owner's commitment to the environment and to driving awareness of the positive impact that can flow from well considered design and operational decisions.

Re-Thinking is also able to provide a number of high quality media applications. A prime example of this is the 'Sustainable Development E-learning Programme' - developed for Willmott Dixon to explain to over 750 employees, over a three week period in September 2008, our approach to sustainability and the importance of many of our personal and corporate decisions.

We have high aspirations for the meaningful environmental contribution of Re-Thinking for the future.

I have no doubt that the sustainability emphasis displayed by Re-Thinking, combined with like-minded commitment demonstrated by the Construction operating companies, were contributory factors to the decision made by Sir Jonathon Porritt to accept the invitation to join the Willmott Dixon Limited board as a non executive director. We all look forward to Jonathon's ongoing relationship with the company and welcome his exceptional advice and guidance in support of our journey to reduce our impact on the environment.

Willmott Dixon's framework relationship with Leicestershire County Council continues to flourish. Forest Way Special Needs School in Coalville is just one of several recently completed projects by Willmott Dixon across the county.

A new development by Inspace to provide student and key worker accommodation at St Georges Hospital in Tooting for Thames Valley Housing Association.

Chris Durkin, FCIOB
Chief Executive Officer of Inspace

Inspace – Although excluded from the 2008 Group results due to not being transferred until1 January 2009, Inspace has successfully embraced its post acquisition re-integration and performed strongly in 2008, under the astute, considered and inspirational leadership of Chris Durkin, its Chief Executive Officer, and continues to offer a broad range of services to the housing market, under the following brands.

Inspace Partnerships Regeneration & New Homes
2008 turnover of £188.3 million.

Partnerships *Regeneration & New Homes* is one of the UK's largest and most successful social housing providers. With over thirty years of specialisation within the sector and in excess of 30,000 homes constructed during that period, the company is fully equipped to tackle any major residential regeneration, inner city or 'green field' project.

The business has two operating locations, Shefford in Bedfordshire and Southgate in North East London. Our dedicated and experienced Managing Directors Tim Carpenter and John Campion, together with their teams, delivered excellent results during 2008, combining to produce profits in line with budget and perhaps against the general trend in their markets.

Whilst the company produced superb statistics in bidding for new work during the year, it is unfortunate that the collapse of the private residential market, a vital ingredient in cross subsidising social housing projects, has caused many exciting projects with repeat business customers, to be delayed, postponed and, in some examples, cancelled completely.

Against this backcloth, we have been working extremely hard with customers to find viable solutions for affected projects by drawing on the vast experience of our teams, our specialist supply chain and our unique approach to sustainable innovative solutions.

One example of this commitment has been our investment during 2008 in our bespoke and unique House Designer software product. With increasing regulations, specification and design codes applicable to UK housing design, it has become a real logistical problem for designers to fully appreciate and incorporate all of these specific requirements. Our new software management tool captures all relevant design requirements and automatically checks for breaches and clashes. The result will be housing projects that our customers can rely on for compliance with all the relevant design codes, and our design partners will find economies in the resources required to specify, detail and change drawn information.

We are privileged to count many of the UK's major Registered Social Landlords (RSLs) as our long term customer partners, with whom we aspire to help drive efficiency and compliance within their housing stock by continuing to invest in concepts and products that differentiate our offering from others in the market place. We can only hope that the RSL movement, together with their procurement advisers, will see the value in what we do and recognise that a return to lowest price tendering, as an accepted procurement route, is unlikely to be sustainable nor to provide the quality of design and construction to match the needs of the twenty first century.

Inspace Partnerships Maintenance & Stock Reinvestment
2008 turnover of £79.9 million.

Partnerships *Maintenance & Stock Reinvestment* is our responsive repairs, planned maintenance, Decent Homes and refurbishment company led by Mick Williamson, Managing Director. Its service is offered to Local Authorities, RSLs and Arms Length Management Organisations ('ALMOs').

We currently maintain approaching 100,000 homes around the UK for many valued customers, amongst whom are Birmingham City Council, Barnsley Metropolitan Borough Council, and Trent and Dove Housing Association, to name but a few.

Each contract typically receives its own local operating branch, creating a service focal point for the community and supported by a substantial team of directly employed trade engineers.

We believe that this part of Inspace will display strong resilience to the current economic downturn and we have been absolutely focussed during the past 12 months on creating a robust and scalable business model. We have taken a 'fresh set of eyes' to the way we structure the organisation commercially, we have reviewed and refreshed many of the control documents and have embarked on a project to identify, capture and replicate best practice across every branch, with the clear intention of providing a better service, a more competitive model and ultimately growing and predictable profit flows.

I am delighted by the response of this company and its people to this challenge, which has already resulted in increased productivity, business efficiency and a significant net cash inflow over the last 12 months.

Inspace is providing a 24 hour responsive repair and maintenance service to over 21,000 homes owned by Birmingham City Council, including the upkeep of 150 tower blocks.

Inspace Homes
2008 turnover of £8 million.

Homes provides the Group with residential development capacity, generally in partnership with RSL or Local Authority customers. As with the vast majority of residential developers, it has suffered significantly from the collapse of the housing market and the reduced availability of development and mortgage funding.

We are, however, fortunate that we operate from a relatively low cost base, with little land bank exposure and a relatively small team of professionals. We have quickly responded to the economic situation by reducing levels of investment on speculative opportunities to focus instead on assembling flexible major long term regeneration projects, whilst at the same time completing and devising specific sales or rental strategies for existing developments.

Above: 2008 Inspace intake of trainee managers.
Right: Blue in Islington

Of particular note are three existing developments.

- Mica Point, Birmingham is a 62 unit apartment project, which the Group has decided to hold as rental investment for the short to medium term; it has just reached construction completion and is being prepared for launch into a reasonably buoyant Birmingham rental market. The intention remains to sell the development as soon as possible.
- Northpoint, Islington with 32 flats, has been recently completed and whilst now being marketed at discounted prices, is profitable and selling extremely well.
- Harmony, Isleworth including 106 apartments for sale, is still under construction and currently being prepared for a marketing campaign in the summer of 2009.

Our regeneration team are now focussed on negotiating a long term development agreement with a Local Authority partner in the south west, which if concluded successfully, will provide a flexible residential development opportunity through to 2017.

Northpoint, also in Islington

Willmott Dixon Investments ('Investments')
2008 turnover of £1 million.

During 2008, Investments has been positioned by Matthew Pullen, Managing Director, to become a catalyst in the formation of consortia to tender for public:private partnership ('PPP') and private finance initiative ('PFI') schemes. Our strategic rationale for Investments is two fold.

- It becomes the conduit by which the Group can place investments in the PPP and PFI sector.
- It is focussed on those markets which display clear synergies with Construction and Inspace Partnerships, with particular emphasis on the Government's Building Schools for the Future ('BSF') and social housing PFI programmes.

Our aspiration for the current year is to have reached preferred bidder status on at least one significant PPP project, with a number of others at various stages within the protracted procurement process.

Meadway Special Needs School in Reading, above, and using the Eurban system for St Agnes Primary School in Manchester to reduce the on site construction programme.

Willmott Dixon Developments ('Developments')

Developments is positioned to exploit our small portfolio of strategic land assets.

It already retains a retail development in Seaham, County Durham delivering a yield approaching 10% on investment; it holds with a view to a future sale, a residential site in Birmingham with planning; and it is actively working with a Local Authority in the north to promote a 55 acre site as the home for a major BSF technology college.

Investments and Developments both transferred into the Group with effect from 1 January 2009; the results have therefore been excluded from those of the Group for 2008.

Playing an active role in the community is at the heart of the Group's ethos.

People, culture and sustainability

I remain very proud of the cultural facets that make our Group the organisation that it is.

We have worked hard this year, particularly post Inspace acquisition, to create a one business feel. We have launched a new staff magazine to convey the breadth and depth of our activities, both in relation to the company but also to showcase the community based charitable activities of our teams across the country, and we continue to foster and promote training courses across all parts of the Group to ensure that best practice and knowledge is shared. Our annual management trainee intake has continued to provide the next generation of professional, culturally immersed managers, many of whom are tipped for success and promotion.

We have remained a Sunday Times Best 100 Company - despite the tensions and complexities of reintegrating Inspace into the wider Group structure, essentially doubling employee numbers. We continue to receive accolades for our health and safety performance, and for our interaction at local level through the Considerate Constructors Scheme.

Willmott Dixon Group was once again listed as one of the Sunday Times Top 100 Companies to work for.

Staff at the Group raise thousands for charity each year. On this occasion, Inspace Partnerships raised over £15,000 for client Home Group's chosen charity.

Sustainability remains a corporate fixation, not just for now, but engrained for the future. Both Willmott Dixon and Inspace have published annual Sustainability Reviews, titled 'Everybody Plays a Part' and 'More Than Just Homes' respectively. These detailed documents record and demonstrate the enormity of the challenge we face, and the strategic work required, to operate in a genuinely sustainable way as an organisation. They include a ten point 'Sustainable Project Criteria', recommendations and targets to reduce the waste created on our sites and to achieve zero waste to landfill by 2012.

Reducing our Carbon Footprint is a major challenge and here also, we are working actively to produce a strategic Sustainable Transport Policy for 2009.

I am delighted that our strategic intentions are shared across the Group at every level, and I am confident that we can demonstrate to our customers that we are not only different but also the best choice for delivering sustainable capital works programmes.

What the future holds

The future is complicated and uncertain. We are forced to operate in an economic climate that cannot be predicted, with a Government possibly in its last year of tenure, and where capital project visibility in the private sector is at its lowest in living memory.

What we do know is that organisationally, we have a broad base of customers who operate across many industry sectors, we are engaged on a multitude of projects that represent vital national infrastructure, and we believe that customers genuinely enjoy working with us.

Sadly the importance and relevance of this latter point may be lost as procurers take flight to lowest tender procurement - and then the inevitable disputes and cost escalation that will result. It is a cyclical response that many of our staff will not have experienced previously as we have been immersed in more collaborative forms of procurement for over a decade.

Our priorities this year are numerous. First and foremost, we must continue to build a healthy order book with our valued customers. We currently have over £1 billion of high quality projects secured with a further £500 million where we are considered to be the preferred bidder or from the extension of existing long term maintenance contracts.

We must continue to reappraise supply chain, customer and project funding risks and controls; Andrew Telfer is spearheading this initiative for me, amongst others, Group wide, for which I am enormously grateful.

We will continue to place company and shareholder best interests at the heart of what we do. To that end we will continue to invest in the best staff in the industry, to continue to train and promote from within and of course aim to provide all with security of employment. My sincere thanks go to all of our staff who continue to be viewed as the very best in the industry.

Alongside maintaining the Group in the best possible condition we will be thinking strategically, insuring and ensuring our future. Colin Enticknap, Group Chairman, continues to lead on strategic thinking and intervention, the output of his work for the Group is incalculable and I am ever grateful for his counsel.

Willmott Dixon Limited's trainee of the year Ben Reaney, next to his managing director Peter Owen.

A new headquarters for Hertfordshire Police Authority's Central Area in Hatfield, a blend of new-build and restoration of Grade-2 listed buildings previously used by British Aerospace.

Summary

We have achieved an enormous amount in 2008. The current year and the few that follow will undoubtedly pose constant challenges to all parts of our Group, but shareholders should rest assured that we remain confident that we will exit the recession well placed to maximise opportunities and continue our progress.

Rick Willmott

Group Chief Executive

The Group recruited over 50 trainee managers in 2008. Here is the intake for Willmott Dixon Limited.

A friendly face; some of the team on the project to provide a new 1000-pupil capacity school for Chessington Community College in Kingston-upon-Thames.

2008 Turnover, share by individual companies

*Excluded from the 2008 Group results due to transfer with effect from 1 January 2009

The Directors submit their report with the audited accounts for the year ended 31 December 2008.

Results

The Group profit for the year, before taxation amounted to £11,970,651. The tax charge in respect of this result is £3,852,927.

Dividends

Dividends of £6,273,860 were paid in the year.

Review of the Business and Future Developments

A general review of the Group's activities and future prospects are included in the Group Chairman's Statement on pages 8 to 11 and the Group Chief Executive's Report on pages 12 to 38.

Group Reorganisation

In 2008, a new ultimate parent company, Hardwicke Investments Limited* was put in place through a share for share exchange with the Company.

Post Balance Sheet Events

During 2009 the final phase of Group restructuring following the Inspace aquistion has taken place, including the name of the Company being changed from Willmott Dixon Limited. The nature and impact of this restructuring is explained in note 28.

Directors and their Interests

The current Directors are listed on page 6. The Directors' interests in the share capital of the Company and its subsidiary companies are disclosed in note 27.

The following changes in directors have occurred since 1 January 2008:

	Appointed	**Resigned**
Duncan Canney	23 May 2008	1 April 2009
Steven Dixon		23 May 2008
John Frankiewicz		1 April 2009
Sir Michael Latham		1 April 2009
Jonathon Porritt	1 January 2009	1 April 2009
Christopher Sheridan	1 January 2009	
Andrew Telfer	1 January 2009	

* Formerly Willmott Dixon Holdings Limited.

(Continued)

Employees

It is the policy of the Group to employ the most suitably qualified persons regardless of age, religion, gender, sexual orientation or ethnic origin or any other grounds not related to a person's ability to work safely and effectively for the Group. The Group encourages the employment and career development of disabled persons and the continued employment of employees who may be injured or disabled in the course of their employment.

The Group recognises the importance of ensuring that relevant business information is provided to employees. This is achieved through the regular operation of a communications programme.

Payment of Suppliers

It is Group policy to agree the terms of payment as part of the commercial arrangements negotiated with suppliers and to then pay according to those terms. Trade creditor days, based on creditors at 31 December 2008, were 72 days (2007: 71 days).

Donations

The Group made donations in the year to charities amounting to £4,642 (2007: £23,267).

Financial Instruments

The Group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through robust credit control procedures. Dedicated credit control teams operate in each subsidiary and the Group carries out daily cashflow and working capital monitoring. The nature of the Group's financial instruments means that the price risk or liquidity risk to which they are subjected is minimal.

The Group does not use derivative financial instruments for speculative purposes.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board
Wendy McWilliams 29 April 2009
Secretary

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group 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;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

We have audited the group and parent company financial statements ('the financial statements') of Willmott Dixon Holdings Limited for the year ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the reconciliation of movements in shareholders' funds and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the Group Chairman's Statement and Group Chief Executive Officer's Report that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Summary of Results, the Report of the Directors, the Group Chairman's Statement and the Group Chief Executive Officer's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

(Continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

PKF (UK) LLP
Registered Auditors
London, UK

29 April 2009

Consolidated Profit and Loss Account

Year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover: Group and share of associates and joint ventures	2	**592,446**	413,450
Less: share of associates		**–**	(33,057)
Group turnover*		**592,446**	380,393
Cost of sales		**(533,060)**	(349,339)
Gross profit		**59,386**	31,054
Administrative expenses		**(49,425)**	(24,973)
Operating profit**		**9,961**	6,081
Share of operating profit of associates		**–**	416
Profit on partial sale of subsidiaries	13	**–**	110
		9,961	6,607
Interest payable by associate		**–**	(173)
Interest receivable	3	**2,010**	3,711
Profit on ordinary activities before taxation	4	**11,971**	10,145
Tax on profit on ordinary activities	7	**(3,853)**	(3,406)
Profit on ordinary activities after taxation		**8,118**	6,739
Minority interests		**–**	(79)
Profit for the financial period		**8,118**	6,660
Earnings per share	8	**180.4p**	157.7p
Fully diluted earnings per share	8	**180.4p**	148.5p

The above figures relate exclusively to continuing operations. The Group has no recognised gains or losses other than the profit for the financial period shown above. There was no difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents.

* including turnover of acquired business of £84,297,000

** including operating loss of acquired business £2,692,000

As at 31 December 2008

	Notes	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Goodwill	10		–		1,805
Tangible assets	11		**1,972**		1,587
Investment in associates	12		**104**		19,194
			2,076		22,586
Current assets					
Stocks	15	**244**		2,062	
Debtors	16	**164,515**		35,195	
Investments	17	**20,000**		4,710	
Cash and bank balances		**7,939**		68,597	
		192,698		110,564	
Creditors: amounts falling due within one year	18	**163,715**		103,742	
Net current assets			**28,983**		6,822
Total assets less current liabilities			**31,059**		29,408
Creditors: amounts falling due after one year	19		–		(1,016)
Provisions for liabilities and charges	20		**(144)**		(869)
			30,915		27,523
Capital and reserves					
Called up share capital	22		**4,500**		4,500
Share premium account	23		**2,083**		2,083
Capital reserve	23		–		1,114
Employee Share Trust reserve	23		–		(1,548)
Profit and loss account	23		**24,332**		21,374
Equity shareholders' funds			**30,915**		27,523
Minority equity interests			–		–
			30,915		27,523

These financial statements were approved and authorised for issue by the Board of Directors on 29 April 2009 and were signed on its behalf by:

Colin Enticknap Group Chairman

Company Balance Sheet

As at 31 December 2008

	Notes	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Tangible assets	11		**–**		429
Investments	12		**6,245**		21,091
			6,245		21,520
Current assets					
Debtors	16	**10,250**		8,383	
Investments	17	**20,000**		4,710	
Cash and bank balances		**7,423**		68,583	
		37,673		81,676	
Creditors: amounts falling due within one year	18	**10,876**		74,804	
Net current assets			**26,797**		6,872
Total assets less current liabilities			**33,042**		28,392
Provisions for liabilities and charges	20		**–**		(869)
			33,042		27,523
Capital and reserves					
Called up share capital	22		**4,500**		4,500
Share premium account	23		**2,083**		2,083
Revaluation reserve	23		**–**		5
Employee Share Trust reserve	23		**–**		(1,548)
Profit and loss account	23		**26,459**		22,483
			33,042		27,523

These financial statements were approved and authorised for issue by the Board of Directors on 29 April 2009 and were signed on its behalf by:

Colin Enticknap Group Chairman

Year ended 31 December 2008

	Notes	2008 £000	2007 £000
Cash flow from operating activities	29	**40,596**	34,703
Dividends from joint ventures and associates		**–**	284
Returns on investments and servicing of finance	29	**2,010**	3,711
Taxation	29	**(3,852)**	(1,297)
Capital expenditure and financial investment	29	**(1,449)**	(2,873)
Acquisitions and disposals	13,14, 29	**(71,689)**	(16,540)
Equity dividends paid	9, 29	**(6,274)**	(2,070)
Cash flow before use of liquid resources and financing		**(40,658)**	15,918
Management of liquid resources	17, 29	**(20,000)**	109
Financing	29	**–**	67
(Decrease)/increase in cash		**(60,658)**	16,094
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash		**(60,658)**	16,094
Increase/(decrease) in current asset investments	29	**15,290**	(109)
Movement in net funds		**(45,368)**	15,985
Net funds at 1 January 2008		**73,307**	57,322
Net funds at 31 December 2008		**27,939**	73,307

Reconciliation of Movements in Equity Shareholders' Funds

Year ended 31 December 2008

	Notes	**2008 £000**	2007 £000
Profit for the financial period		**8,118**	6,660
Issue of new share capital		**–**	169
Premium on issue of new share capital		**–**	877
Movement on Employee Share Trust reserve	23	**1,548**	(986)
Ordinary dividends	9	**(6,274)**	(2,070)
Movements in equity shareholders' funds		**3,392**	4,650
Equity shareholders' funds at 1 January 2008		**27,523**	22,873
Equity shareholders' funds at 31 December 2008		**30,915**	27,523

1 Accounting policies

The following accounting policies have been consistently applied in dealing with items that are considered material in relation to the financial statements.

a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

b) Basis of consolidation

The Group accounts consolidate the accounts of Willmott Dixon Holdings Limited and its subsidiaries for the year ended 31 December 2008 using acquisition accounting. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Provision is made against minority interests in subsidiaries with net liabilities.

Goodwill is recognised as the difference between consideration paid and the fair value of the assets acquired. Goodwill is amortised over its useful economic life which is the period over which the value of the underlying business acquired is expected to exceed the values of its identifiable net assets.

Willmott Dixon Holdings Limited has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

c) Tangible fixed assets

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets, other than land, at rates estimated to write off the cost of each asset over the term of its expected useful life as follows:

Freehold and long leasehold buildings – 2% per annum.

Short leasehold buildings – the earlier of 5 years or until the first breakpoint in the lease.

Computer equipment – between 25% and 50% per annum.

Plant and equipment – 25% per annum.

Furniture and fittings – 10% per annum.

d) Stocks

Stocks are valued at the lower of cost and net realisable value. In respect of work-in-progress, cost includes direct interest and production overheads and is stated after deduction of amounts received and applications for payments receivable.

(Continued)

e) Long term contracts

Turnover and profit on long term contracts is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned when the outcome of work under the contract can be assessed with reasonable certainty. All foreseeable losses are provided in full.

Amounts recoverable on contracts are valued at cost with an appropriate addition or provision for estimated profits or losses and after deduction of amounts received and applications for payments receivable. Where amounts invoiced exceed the amount of work completed, the excess is included within payments on account.

Preconstruction costs are expensed, and associated income deferred until such time as the related contract becomes virtually certain.

f) Investments

Investments held as fixed assets are stated at cost less any provision for impairment. In prior years investments have been stated at revalued amounts and this change in policy has had no material effect.

Interests in associates are stated at the Group's share of net assets.

Current asset investments are stated at cost.

g) Deferred taxation

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, or a right to pay less, tax in the future have occurred. Deferred tax is not discounted.

Deferred tax assets are recognised to the extent that the Directors consider it more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

h) Leased assets

The total payments made under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

i) Research and development

Research and development expenditure is expensed to the profit and loss account as it is incurred.

j) Retirement benefits

Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 **Turnover** represents revenue recognised in respect of services provided during the period, stated net of value added tax.

3 **Interest receivable**

	2008 £000	2007 £000
Cash on deposit	**–**	3,696
Group interest receivable	**2,010**	–
Loans to associates	**–**	15
	2,010	3,711

4 **Profit on ordinary activities before taxation** is stated after charging:

		2008 £000	2007 £000
Depreciation of tangible fixed assets		**914**	763
Loss on disposal of tangible fixed assets		**84**	6
Amortisation of goodwill		**–**	164
Operating lease rentals	- land and buildings	**1,263**	1,291
	- other rentals	**1,962**	1,345
Pension contributions		**965**	–
Directors' remuneration (see note 6)		**961**	2,047
Auditors' remuneration	- for parent company audit services	**20**	20
	- for subsidiary company audit services	**42**	42
	- for taxation services	**7**	28

(Continued)

5 Employees

	2008 No.	2007 No.
The average weekly number of employees, excluding Directors, during the year was made up as follows:		
Office and administration	**469**	225
Site and production	**1,001**	479
	1,470	704

	£000	£000
Staff costs during the year amounted to:		
Wages and salaries	**56,846**	30,284
Incentive payments to staff	**4,269**	3,546
Pension contributions	**965**	–
Social security costs	**7,094**	4,039
	69,174	37,869

6 Directors' remuneration

	2008 £000	2007 £000
Fees	**42**	250
Emoluments	**289**	286
Profit share payments to Directors	**630**	1,511
	961	2,047

The remuneration of the highest paid Director was £755,405 (2007: £817,904).

(Continued)

7 Taxation

	2008 £000	2007 £000
a) Analysis of charge:		
Current tax		
Corporation tax at 28.5% (2007: 30%)	**3,922**	3,254
Adjustments in respect of previous periods	**–**	(82)
Share of tax of associate	**–**	297
	3,922	3,469
Deferred tax		
Origination and reversal of timing differences	**(69)**	(65)
Effect of reduced rate on opening asset	**–**	2
	3,853	3,406

b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (28.5%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	**11,971**	10,145
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 28.5% (2007: 30%)	**3,412**	3,044
Expenses not deductible for tax purposes	**448**	393
Amortisation of goodwill	**–**	49
Capital allowances for year less than depreciation	**62**	68
Lower rates on earnings	**–**	(3)
Adjustments in respect of previous periods	**–**	(82)
Current tax	**3,922**	3,469

c) Factors that may affect future tax charges

The Group is not aware of any significant factors that may affect future tax charges.

(Continued)

8 Earnings per share

	2008 £000	2007 £000
The calculation of the basic and diluted earnings per share is based on the following data:		
Profit for the financial period	**8,118**	6,660

	Number	Number
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**4,500,000**	4,223,475
Effect of shares held by Employee Share Trust	**–**	260,365
Weighted average number of ordinary shares in issue during the year for the purpose of diluted earnings per share	**4,500,000**	4,483,840
Basic earnings per share	**180.4p**	157.7p
Diluted earnings per share	**180.4p**	148.5p

The fully diluted earnings per share takes into account the dilutive effect of shares available for disposal to employees under existing employee incentive schemes.

9 Dividends

	2008 Pence per share	2007 Pence per share	**2008 £000**	2007 £000
Ordinary Dividends				
February	**20.0**	10.0	**845**	422
May	**22.0**	11.0	**929**	465
August	**60.0**	12.0	**2,700**	507
November	**40.0**	16.0	**1,800**	676
			6,274	2,070

The Trustee of the Employee Share Trust waived the right to receive dividends.

(Continued)

10 Goodwill

	2008 £000
Group	
Cost	
1 January 2008	1,969
Transfer of subsidiary to group company	(1,969)
31 December 2008	–
Amortisation	
1 January 2008	164
Transfer of subsidiary to group company	(164)
31 December 2008	–
Net book value	
31 December 2008	-
31 December 2007	1,805

(Continued)

11 Tangible assets

	Land and buildings £000	Computer equipment £000	Plant and equipment £000	Furniture and fittings £000	**2008 Total £000**
Group					
Cost					
1 January 2008	1,083	2,261	624	559	**4,527**
Acquisition of subsidiary	340	469	258	163	**1,230**
Disposal of subsidiary	(15)	(17)	(8)	–	**(40)**
Transfers to group companies	(387)	(691)	(89)	(161)	**(1,328)**
Transfers from group companies	–	47	5	–	**52**
Additions	255	856	165	173	**1,449**
Disposals	(196)	(291)	(96)	(25)	**(608)**
31 December 2008	1,080	2,634	859	709	**5,282**
Depreciation					
1 January 2008	685	1,574	467	214	**2,940**
Acquisition of subsidiary	262	299	208	101	**870**
Disposal of subsidiary	–	(5)	(2)	–	**(7)**
Transfers to group companies	(305)	(414)	(79)	(98)	**(896)**
Transfers from group companies	–	9	4	–	**13**
Depreciation in the year	191	521	146	56	**914**
Eliminated on disposals	(148)	(278)	(78)	(20)	**(524)**
31 December 2008	685	1,706	666	253	**3,310**
Net book value					
31 December 2008	395	928	193	456	**1,972**
31 December 2007	398	687	157	345	**1,587**

	2008 £000	2007 £000
The Group net book value of land and buildings comprises:		
Freehold land and buildings	**–**	15
Short leasehold land and buildings	**395**	383
	395	398

(Continued)

11 Tangible assets (continued)

	Short leasehold land and buildings £000	Computer equipment £000	Plant and equipment £000	Furniture and fittings £000	**2008 Total £000**
Parent Company					
Cost					
1 January 2008	387	681	84	161	**1,313**
Transfers to fellow group companies	(387)	(681)	(84)	(161)	**(1,313)**
31 December 2008	–	–	–	–	**–**
Depreciation					
1 January 2008	305	407	75	97	**884**
Transfers to fellow group companies	(305)	(407)	(75)	(97)	**(884)**
31 December 2008	–	–	–	–	**–**
Net book value					
31 December 2008	–	–	–	–	**–**
31 December 2007	82	274	9	64	**429**

(Continued)

12 Investments

	Subsidiaries £000	Associates £000	**2008 Total £000**
Group			
Shares at cost			
At 1 January 2008	–	17480	**17480**
Additions	119,350	-	**119,350**
Disposals	(119,350)	(17,480)	**(136,830)**
Share of associate net liabilities acquired	–	(261)	**(261)**
Goodwill acquired	–	261	**261**
31 December 2008	–	–	**–**
Loans			
1 January 2008	–	1,714	**1,714**
Disposals	–	(1,714)	**(1,714)**
Additions	–	104	**104**
31 December 2008	–	104	**104**
Total investments			
31 December 2008	–	104	**104**
31 December 2007	–	19,194	**19,194**

Goodwill of £261,136 arose on the purchase of shares in an associated company on 15 December 2008. The cost of acquisition was £490 and the share of net liabilities acquired was £260,646. The list of associated companies is set out in note 30.

On 17 January 2008 the Group acquired the remaining 79.242% of the ordinary share capital of Walsworth Limited*. The investment had previously been accounted for as an associate undertaking and, with effect from 17 January 2008 was transferred to the ultimate parent company.

12 Investments (continued)

	Subsidiaries £000	Associated Companies £000	**2008 Total £000**
Parent Company			
Shares at Cost			
At 1 January 2008	3,688	21,193	**24,881**
Additions	122,693	–	**122,693**
Disposals	(119,523)	(21,193)	**(140,716)**
31 December 2008	6,858	–	**6,858**
Loans			
1 January 2008	–	1,610	**1,610**
Disposals	–	(1,610)	**(1,610)**
31 December 2008	–	–	**–**
Provisions			
1 January 2008	(1,971)	(3,429)	**(5,400)**
Disposals	1,358	3,429	**4,787**
31 December 2008	(613)	–	**(613)**
Total investments			
31 December 2008	6,245	–	**6,245**
31 December 2007	1,717	19,374	**21,091**

The list of principal subsidiaries and associates is set out in note 30.

* formerly Inspace Limited.

13 Disposals

On 1 January 2008, the Company's interest in Willmott Dixon Investments Limited and Willmott Dixon Developments Limited was acquired by the ultimate parent company at net asset value.

(Continued)

14 Acquisitions

Acquisition of Willmott Dixon Limited

On 17 January 2008, Willmott Dixon Holdings Limited acquired the entire ordinary share capital of Willmott Dixon Limited* from a group company for £3,343,014 (net asset value). The consideration was paid in cash.

No goodwill arose on acquisition, the fair value of the net assets of the acquired group has been assessed and no adjustments from book value have been made. The net assets acquired were as follows:

	UK GAAP Book and Fair Value £000
Fixed assets	
Tangible assets	**360**
Current assets	
Stocks	**331**
Debtors	**26,279**
Cash and bank balances	**342**
	26,952
Creditors: amounts due within one year	**(23,969)**
Net assets	**3,343**

The consolidated results of the acquired business prior to its acquisition were as follows:

	1 January to 16 January 2008 £000	1 January to 31 December 2007 £000
Group turnover	3,253	92,274
Operating profit	18	3,789
(Loss)/profit before tax	(12)	3,434
Taxation	–	(1,091)
Profit after tax	(12)	2,343

14 **Acquisitions** (continued)

The net outflow of cash arising from the acquisition was as follows:

	£000
Cash consideration paid	**3,343**
Cash acquired with subsidiary	**(342)**
Net cash outflow	**3,001**

In 2008, the cashflows attributable to the acquired business were as follows:

	£000
Net operating cashflows	**640**
Interest paid	**(69)**
Taxation paid	**–**
Capital expenditure	**(572)**

The impact of the acquisition on the Group profit and loss account was as follows:

	2008 £000	2007 £000
Cost of Sales:		
Existing businesses	**463,809**	349,339
Acquired businesses	**69,251**	–
	533,060	349,339
Administrative Expenses:		
Existing businesses	**31,687**	24,973
Acquired businesses	**17,738**	–
	49,425	24,973
Operating Profit:		
Existing businesses	**12,653**	6,081
Acquired businesses	**(2,692)**	–
	9,961	6,081

Acquisition of BBH Services Limited

On 15 December 2008, the Group acquired a 49% interest in BBH Services Limited from a fellow subsidiary. The acquisition is immaterial to the Group.

* formerly Inspace Corporate Assets Limited.

(Continued)

15 Stocks

	Group 2008 £000	Group 2007 £000
Raw materials and consumables	**244**	–
Work-in-progress	**–**	2,062
	244	2,062

16 Debtors

	Group 2008 £000	Group 2007 £000	Parent Company 2008 £000	Parent Company 2007 £000
Amounts falling due within one year:				
Trade debtors	**40,318**	20,961	**–**	190
Amounts recoverable on contracts	**32,029**	12,120	**–**	–
Amounts due from group companies	**90,960**	–	**10,250**	6,744
Other debtors	**–**	787	**–**	757
Prepayments and accrued income	**1,208**	1,128	**–**	518
	164,515	34,996	**10,250**	8,209
Amounts falling due after more than one year:				
Deferred tax asset (note 21)	**–**	199	**–**	174
	164,515	35,195	**10,250**	8,383

17 Investments – current assets

	Group 2008 £000	Group 2007 £000	Parent Company 2008 £000	Parent Company 2007 £000
Other investments	**20,000**	4,710	**20,000**	4,710

Other investments at 31 December 2008 comprise investments in UK 4% Treasury Stock which were realised as cash on 15 January 2009.

Other investments at 31 December 2007 comprised a listed investment which matured on 22 December 2008 and which was realised as cash on 2 January 2009.

(Continued)

18 Creditors: amounts falling due within one year

	Group 2008 £000	Group 2007 £000	Parent Company 2008 £000	Parent Company 2007 £000
Trade creditors	**104,563**	67,801	**–**	87
Amounts due to group companies	**12,228**	–	**10,876**	65,118
Payments on account	**38,788**	21,313	**–**	–
Current corporation tax	**24**	1,623	**–**	1,599
Other tax and social security	**–**	3,778	**–**	3,778
Accruals and deferred income	**8,112**	9,227	**–**	4,222
	163,715	103,742	**10,876**	74,804

19 Creditors: amounts falling due after one year

	Group 2008 £000	Group 2007 £000
Deferred consideration	**–**	1,016

20 Provisions for liabilities and charges

	Group 2008 £000	Parent Company 2008 £000
1 January 2008	**(869)**	**(869)**
Transferred to group company	**869**	**869**
New provision made	**(144)**	**–**
31 December 2008	**(144)**	**–**

The provision at 31 December 2008 relates to redundant premises and is expected to be utilised over a period of approximately 1 year.

(Continued)

21 Deferred tax

	Group 2008 £000		Parent Company 2008 £000
1 January 2008	**199**		**174**
Transfer to group company	**(199)**		**(174)**
31 December 2008	**–**		**–**

The deferred tax asset of £199,000 (2007: nil) was transferred to the ultimate parent company.

22 Called up share capital

	2008 £000	2007 £000
Ordinary shares of £1 each		
Authorised	**5,000**	5,000
Allotted, called up and fully paid	**4,500**	4,500

(Continued)

23 Reserves

	Share premium account £000	Capital reserve £000	Employee Share Trust reserve £000	Profit and loss account £000
Group				
1 January 2008	2,083	1,114	(1,548)	21,374
Profit for the financial period	–	–	–	8,118
Realisation of capital reserve	–	(1,114)	–	1,114
Transfer to parent company	–	–	1,548	–
Ordinary dividends	–	–	–	(6,274)
31 December 2008	**2,083**	**–**	**–**	**24,332**

The realisation of the capital reserve arises due to the disposal of the Group's holding in an associate to a fellow subsidiary.

	Share premium account £000	Revaluation reserve £000	Employee Share Trust reserve £000	Profit and loss account £000
Parent Company				
1 January 2008	2,083	5	(1,548)	22,483
Profit for the financial period	–	–	–	10,250
Ordinary dividends	–	–	–	(6,274)
Release of revaluation reserve	–	(5)	–	–
Transfer to parent company	–	–	1,548	–
31 December 2008	**2,083**	**–**	**–**	**26,459**

The Willmott Dixon Holdings Limited Employee Share Trust was transferred to the ultimate parent company.

(Continued)

24 Profit attributable to members of the Parent Company

The profit of the parent company for the year was £10,250,000, arising entirely from dividend receipts.

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements.

25 Group leasing commitments

	2008 £000	2007 £000
Obligations under operating leases at 31 December 2008 were as follows:		
Land and buildings:		
Commitments payable within one year under leases expiring:		
Within one year	**86**	179
Within two to five years	**458**	306
After five years	**389**	727
	933	1,212
Other leases:		
Commitments payable within one year under leases expiring:		
Within one year	**535**	593
Within two to five years	**1,171**	768
After five years	**4**	4
	1,710	1,365

26 Group guarantees

The Company has, with the ultimate parent company and certain fellow subsidiaries, entered into multi-lateral financial guarantees of £39,400,000 in favour of The Royal Bank of Scotland plc as agent for National Westminster Bank plc to guarantee the ultimate parent company's indebtedness to the bank.

The Company is a party to multi-lateral cross guarantees given to various sureties that have issued performance bonds in favour of clients of fellow subsidiaries in respect of contracts entered into in the normal course of business.

The Company has given certain guarantees to landlords and finance companies in respect of other non-contract related agreements (such as operating lease agreements) entered into by companies within the Group in the normal course of business.

27 Related party transactions and Directors' interests

The list of principal subsidiaries and associates is set out in note 30.

In the opinion of the Directors, the Company is entitled to the exemption from disclosing related party transactions with entities within the Group that are more than 90% owned in accordance with Financial Reporting Standard 8 'Related Party Transactions'.

The Group's related party transactions are summarised below:

	2008 £000	2007 £000
Fellow subsidiaries less than 90% owned		
Sales to Rock Project Investments Limited	**33**	–
Purchases from Rock Project Investments Limited	**(750)**	–
Purchase of associate company from Rock Project Investments Limited	**(104)**	–

	2008 £000	2007 £000
Associated companies		
Sales to and interest received from BBH Services Limited	**–**	544
Amounts due from BBH Services Limited	**366**	366

No Director was materially interested during the year in any contract which was significant in relation to the business of the Group and would have been required to be disclosed under the Companies Act 1985 or Financial Reporting Standard 8.

(Continued)

27 Related party transactions and Directors' interests (continued)

The Directors who held office at 31 December 2008 had the following interests in the share capital of the ultimate parent company:

	Ordinary £1 shares **2008**	Ordinary £1 shares 2007
Duncan Canney	**45,000**	26,000
Colin Enticknap	**281,039**	110,000
John Frankiewicz	**171,027**	58,000
Sir Michael Latham	**53,191**	25,000
Rick Willmott	**1,456,388**	641,284

The Directors received dividends in accordance with their shareholdings in Hardwicke Investments Limited.

28 Post Balance Sheet events

Group Reorganisation

With effect from 1 January 2009, the Group undertook the balance of its restructuring exercise. The effect of the restructuring was to transfer all the subsidiaries previously held by Inspace Limited (a fellow subsidiary) to the Willmott Dixon Holdings Limited Group. These subsidiaries include Inspace Partnerships Regeneration & New Homes Limited, Inspace Partnerships Maintenance & Stock Reinvestment Limited and Inspace Homes Limited.

Willmott Dixon Investments Limited and Willmott Dixon Developments Limited (also fellow subsidiaries) were also transferred to the Group. The authorised and allotted share capital of Willmott Dixon Holdings Limited was increased to £100,000,000.

On the 29 April 2009 the name of the Company was changed from Willmott Dixon Limited to Willmott Dixon Holdings Limited.

The impact on the consolidated balance sheet of the Group is shown below, which demonstrates the effect as if the restructuring had taken place as at 31 December 2008:

(Continued)

28 Post Balance Sheet events (continued)

	2008	
	£000	£000
Fixed assets		
Goodwill		**63,782**
Tangible assets		**2,598**
Investment in joint ventures		
Share of gross assets	*12,241*	
Share of gross liabilities	*(11,799)*	
Loans	*973*	
		1,415
Investment in associates		**104**
		67,899
Current assets		
Stocks	**10,508**	
Debtors	**220,618**	
Investments	**20,000**	
Cash and bank balances	**8,605**	
	259,731	
Creditors: amounts falling due within one year	**201,071**	
Net current assets		**58,660**
Total assets less current liabilities		**126,559**
Provisions for liabilities and charges		**(144)**
		126,415
Capital and reserves		
Called up share capital		**100,000**
Share premium account		**2,083**
Profit and loss account		**24,332**
Equity shareholders' funds		**126,415**

(Continued)

28 Post Balance Sheet events (continued)

The results for the year ended 31 December 2008 of the Group, as reported in the consolidated profit and loss account, and the subsidiaries acquired post year end by the Group as part of the restructuring exercise on 1 January 2009 were as follows. As the subsidiaries were acquired after the balance sheet date their results for the year ended 31 December 2008 are excluded from the consolidated financial statements.

	Group £000	Acquired Subsidiaries £000
Turnover	592,446	271,325
Operating profit	9,961	7,803
Profit before taxation	11,971	8,076
Taxation	(3,853)	(2,331)
Profit after taxation	8,118	5,745

The turnover of the acquired subsidiaries includes £12,546,000 of turnover with other acquired subsidiaries and £12,244,000 with the Group.

29 Notes to the cash flow statement

	2008 £000	2007 £000
Reconciliation of operating profit to net cash flow from operating activities		
Group operating profit	**9,961**	6,081
Depreciation charges	**914**	763
Amortisation of goodwill	**–**	164
Loss on sale of tangible fixed assets	**84**	6
Movement in redundant premises provision	**144**	590
Movement in working capital balances:		
Decrease in stocks	**86**	85
Increase in debtors	**(16,878)**	(3,715)
Increase in creditors	**46,285**	30,729
Net cash flow from operating activities	**40,596**	34,703

(Continued)

29 Notes to the cash flow statement (continued)

	2008 £000	2007 £000
Returns on investments and servicing of finance		
Interest received	**2,010**	3,711
Taxation		
Corporation tax paid	**(3,852)**	(1,297)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,449)**	(1,263)
Loans made to associates	–	(1,610)
	(1,449)	(2,873)
Acquisitions and disposals		
Acquisition of interest in associate	–	(15,582)
Acquisition of Rock Project Investments Limited	–	(958)
Acquisition of Willmott Dixon Limited (see note14)	**(3,001)**	–
Cash transferred to the ultimate parent company due to group restructure	**(68,583)**	–
Acquisition of BBH Services Limited (see note 14)	**(105)**	–
	(71,689)	(16,540)
Equity dividends paid		
Ordinary dividends	**(6,274)**	(2,070)
Management of liquid resources		
Purchase of short term investments (see note 17)	**(20,000)**	–
Sale of short term investments	–	109
	(20,000)	109
Financing		
Issue of ordinary share capital	–	36
Issue of share capital to minority shareholders	–	31
	–	67

(Continued)

29 Notes to the cash flow statement (continued)

	1 January 2008 £000	Cash flow £000	Non-cash £000	**31 December 2008 £000**
Analysis of net funds				
Cash and bank balances	68,597	(60,658)	–	**7,939**
Liquid resources:				
Current asset investments (see note 17)	4,710	20,000	(4,710)	**20,000**
	73,307	(40,658)	(4,710)	**27,939**

30 Principal subsidiaries and associated companies

Principal Subsidiaries

Name	*Main Activity*	*% Holding*
Willmott Dixon Limited*	Intermediate holding company	100%
Willmott Dixon Construction Limited	General design and build	100%
Willmott Dixon Sustain Limited	Repairs and maintenance	100%
Kanvas Interiors Limited	Interiors and refurbishment	100%

As a result of the restructuring exercise that took place with effect from 1 January 2009, from that date, the Group also now holds the following subsidiaries:

Name	*Main Activity*	*% Holding*
Inspace Limited*	Intermediate holding company	100%
Inspace Partnerships Regeneration & New Homes Limited	Regeneration and new homes	100%
Inspace Partnerships Maintenance & Stock Reinvestment Limited	Maintenance and stock reinvestment	100%
Inspace Homes Limited	New homes for sale	100%
Willmott Dixon Investments Limited*	Developing, managing and investing in the public, private partnership sector	83.75%
Willmott Dixon Developments Limited*	Property development	85%

The above information relates to those subsidiary companies which, in the opinion of the Directors, principally affect the profit or assets of the Group. Companies marked with an asterisk are directly held by Willmott Dixon Holdings Limited.

The percentage holdings shown above represent both the voting rights held and the proportion of issued ordinary share capital held.

All subsidiary companies are registered in England and Wales.

30 Principal subsidiaries and associated companies (continued)

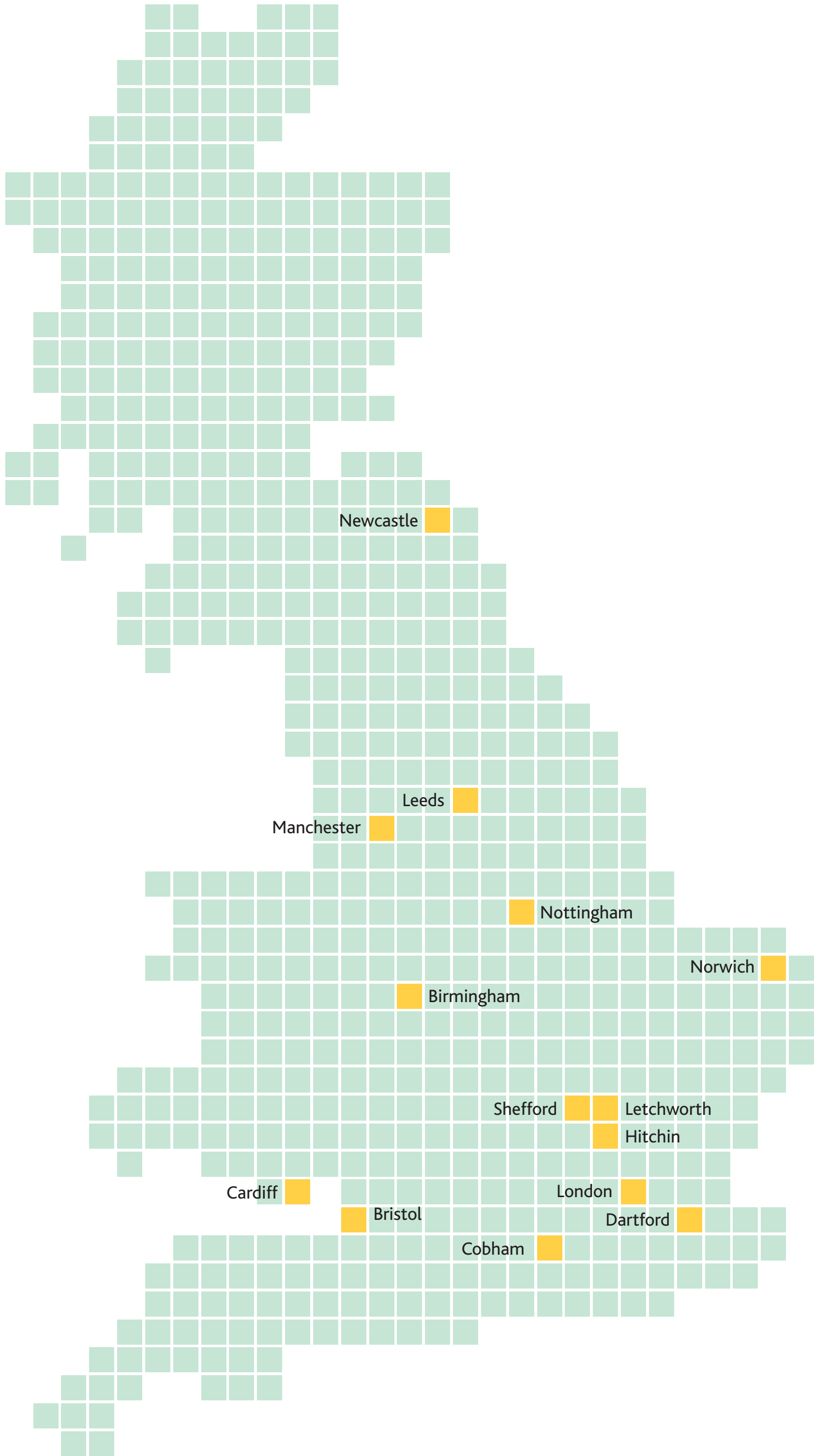
Associates

Name	*Main Activity*	*% Holding*
BBH Services Limited	Supply chain management in the public private partnership sector for health projects	49%

The associated company above is registered in England and Wales.

31 Ultimate parent undertaking

With effect from 1 January 2009, the Company is jointly owned by Walsworth Limited and Hardwicke Investments Limited. The Company's ultimate parent and controlling party is Hardwicke Investments Limited. Hardwicke Investments Limited produces consolidated accounts which can be found at Companies House.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