Annual Report & Accounts 2010

WILLMOTT DIXON HOLDINGS

putting people first

building a low carbon future

strategic partner

responsible business

relationship focused

regeneration

a great place to work

proud to be private

preserving our environment

openness

deep rooted values

integrity and trust

entrepreneurial

involved in the community

Contents

2010

Willmott Dixon Holdings Limited

Directors and Officers

Colin Enticknap
Group Chairman

Rick Willmott
Group Chief Executive

Chris Durkin
Divisional CEO

John Frankiewicz
Divisional CEO

Andrew Telfer
Divisional CEO

Jonathon Porritt
Non-Executive Director

Christopher Sheridan
Non-Executive Director

Chief Finance Officer
Duncan Canney

Joint Secretaries
Wendy McWilliams
Robert Eyre

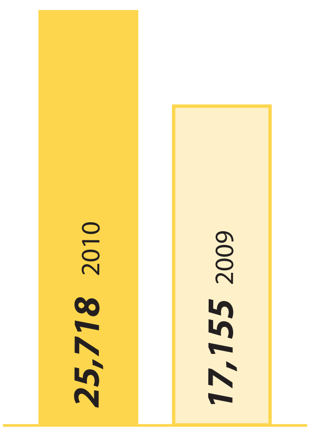
Registered Office
Spirella 2, Icknield Way,
Letchworth Garden City,
Hertfordshire, SG6 4GY
Registered Number: 0198032

Auditor
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

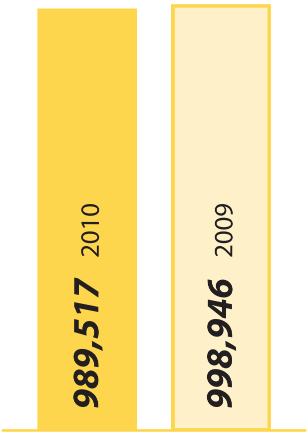
Summary of Results

Year Ended 31 December 2010

	2010 £000	2009 £000
Group turnover	*989,517*	998,946
Operating profit excluding amortisation	*28,907*	20,344
Operating profit	*25,718*	17,155
Profit before tax excluding amortisation	*29,752*	21,372
Profit before tax	*26,563*	18,183
Net current assets	*86,535*	73,179
Equity shareholders' funds	*142,944*	137,619



Operating profit
£000



Group turnover
£000

Group Chairman's Statement

Overview

I am pleased to report that despite difficult trading conditions, the Group has performed exceptionally well during 2010.

Strategically, we have made very good progress. We have consolidated our position as one of the UK's foremost framework contractors for publicly funded capital works programmes, we have continued to expand the scale of projects we undertake and, supported by the expansion of our development interests, we have grown our capability and reputation for undertaking complex 'mixed-use' regeneration schemes, often combining retail, commercial, leisure and residential facilities. Additionally, we have streamlined our support services offering, prioritising local authority and housing association maintenance contracts that offer the geographic concentration and volume certainty we need to support our bespoke delivery model.

Operationally, we have performed equally well, with Willmott Dixon Construction, Willmott Dixon Housing and Willmott Dixon Interiors having together completed over 130 projects across all market sectors and parts of the country, optimised in sustainability terms and virtually always on time and to budget. As a result, customer relationships remain very strong, reflected in a robust order book for 2011 with over £865 million of projects in hand. Willmott Dixon Homes has completed 63 units and, more importantly, has secured or is in advanced negotiations concerning a further 1,200 plots for future development. Whilst Willmott Dixon Developments and Willmott Dixon Investments are still gaining momentum, both are involved in joint venture discussions that could potentially transform their prospects; the former aimed at redeveloping Woking town centre, the latter aimed at developing over 1,000 new homes for 'market rent' alongside Birmingham City Council. Birmingham City Council also remains one of Willmott Dixon Partnerships' best customers, their Southern area housing contract being one of two major maintenance tenders won and successfully mobilised during the year, the other being for Rotherham Metropolitan Borough Council.

Colin Enticknap,
Group Chairman
FCIOB, MRICS

And financially, we have delivered another excellent set of results, with significant growth in pre-tax profit, a strengthened balance sheet and sound cash balances.

2010

New accommodation for key workers at St George's Healthcare NHS Trust in Tooting

Group Chairman's Statement

Financial results

Having emphasised the need to prioritise 'quality' rather than 'quantity' of work in markets that have become increasingly competitive, we were pleased to see turnover hold up well at £989.5 million (2009: £998.9 million). Having outperformed a number of our peers during the period, we saw the Group retain its UK Top Ten position and improve its international ranking to 84th in Europe.

Improved operational efficiency helped profit before tax grow 46% to reach £26.6 million (2009: £18.2 million). Profit after tax grew slightly more, by 51% to £17.2 million (2009: £11.4 million), reflecting a very satisfactory outcome for the year.

These excellent trading results also helped further strengthen our Consolidated Balance Sheet. As at 31st December 2010, equity shareholders' funds had increased to £142.9 million (2009: £137.6 million), net current assets had increased to £86.5 million (2009: £73.2 million) and, with liquidity remaining so critical during a period that saw the financial collapse of two major competitors - Connaught plc and Rok plc - our cash and bank balances grew to reach £62.2 million (2009: £59.9 million).

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

People

As always, our continued success has only been possible through the dedication and considerable efforts of so many people.

My personal thanks go to my Holdings board colleagues, whose individual and collective contributions are so important. To Rick, for the pragmatic leadership, sound judgement, and cultural conviction that he brings; to our three divisional CEOs - John Frankiewicz, Andrew Telfer and Chris Durkin - for the focus, energy and enthusiasm they cultivate within their teams; and to our non-executive directors - Jonathon Porritt and Christopher Sheridan - for their mature interventions that challenge, provoke and encourage our thinking.

They, like me, are also grateful for the support of Duncan Canney, Mark French, Andrew Geldard, Rick Lee, Paul Rolf and Wendy McWilliams, who so ably lead our central functions; they and their teams provide superb service, implementing the policy, process and technology infrastructure that underpins everything we do.

But our greatest thanks go to the MDs, directors and staff within our local company offices; it is through their expertise and efforts, delivering exceptional customer service and competitive value, that we have built the reputation and relationships upon which both current success and future prospects depend. There are of course, too many to mention individually, but the board and I are grateful to each and every one of them for the important role they have played.

Future prospects

The widely publicised cuts in Government sponsored public spending are now starting to bite and their effect is likely to be severe. There has been a 'lag effect' since post election announcements, during which time we have worked very hard to secure a disproportionate share of those framework programmes that have continued, and because of that, we are better positioned in terms of secured order book for 2011 than we feared. That said, we have not been immune from the intensely competitive trading conditions that now exist across most of our markets, and which we expect to see continue for the foreseeable future. With this in mind, turnover levels are likely to remain static in the shorter term whilst we concentrate efforts on margin rather than volume.

2010

Delivering the James Hehir Building for University Campus Suffolk in Ipswich

Despite suppressed capital budgets, Willmott Dixon Construction will remain committed to its public sector customers - where strong relationships already exist, but emphasis will shift towards finding lower costs solutions. Standard designs, simpler detailing and better integrated supply chains are likely to become the norm, a good example being our new Sunesis design for schools, developed in joint venture with SCAPE for adoption under their local authority framework.

At the same time, we will continue efforts to build new relationships with private sector customers, preferably those offering the potential for repeat business or expansion into larger and more complex projects. Mixed-use regeneration schemes will remain particular targets, offering the chance to exploit the obvious synergy with Willmott Dixon Housing. The project recently secured for Tesco at Woolwich - the retailer's largest UK development so far - reflects the potential for us here.

The affordable housing market is experiencing another period of 'hiatus', with government housing subsidy having been an early target of the deficit reduction programme, and government policy still thin on detail in terms of how the acute and growing shortage of rented accommodation is to be addressed. On the positive side, Registered Providers (RPs) are beginning to develop low or no subsidy funding models in order to continue their development programmes (at least in part), and with demand inevitably destined to outstrip supply for the foreseeable future, we expect to see this trend continue. Indeed, if these RP attempts to stimulate the market flounder, we believe that political pressure and therefore the prospect of government intervention will mount. Furthermore, HCA reforms coming into effect in April 2012 are expected to enable some local authorities to leverage significant borrowing capacity to fund investment in existing and new homes. If so, they are destined to play an increasingly influential role.

Either way, we continue to see affordable housing as a cornerstone of Group activity, and we shall progressively develop the flexibility to deliver this specialist service alongside our construction activity in the Midlands and the North.

The 'private market rent housing' model being jointly developed between Willmott Dixon Investments and Savills, initially focussed on Birmingham, offers the potential to accelerate our expansion into the Midlands. There is still much work to be done in order to create an institutionally attractive, fundable and scalable investment solution, but we are making encouraging progress and, with enormous scope for wider adoption, Investments will continue to prioritise this initiative.

We remain equally committed to growing our development capability through Willmott Dixon Homes and Willmott Dixon Developments. Whilst both residential and commercial schemes remain difficult to promote in today's market, we view this period of less intense competition as an opportunity, and believe that careful speculation during the current 'window' will eventually spawn significant profit for the regeneration division, quality work for the capital works division, and give greater strength, breadth and resilience to the Group as a whole.
But we are also mindful of the need to avoid over-committing our cash at a time of economic uncertainty. We shall, therefore, be prioritising opportunities with more flexible timescales, and with the prospect of creating value through planning or innovative land assembly in the medium term that we can unlock when sales prices and rental levels improve.

Group Chairman's Statement

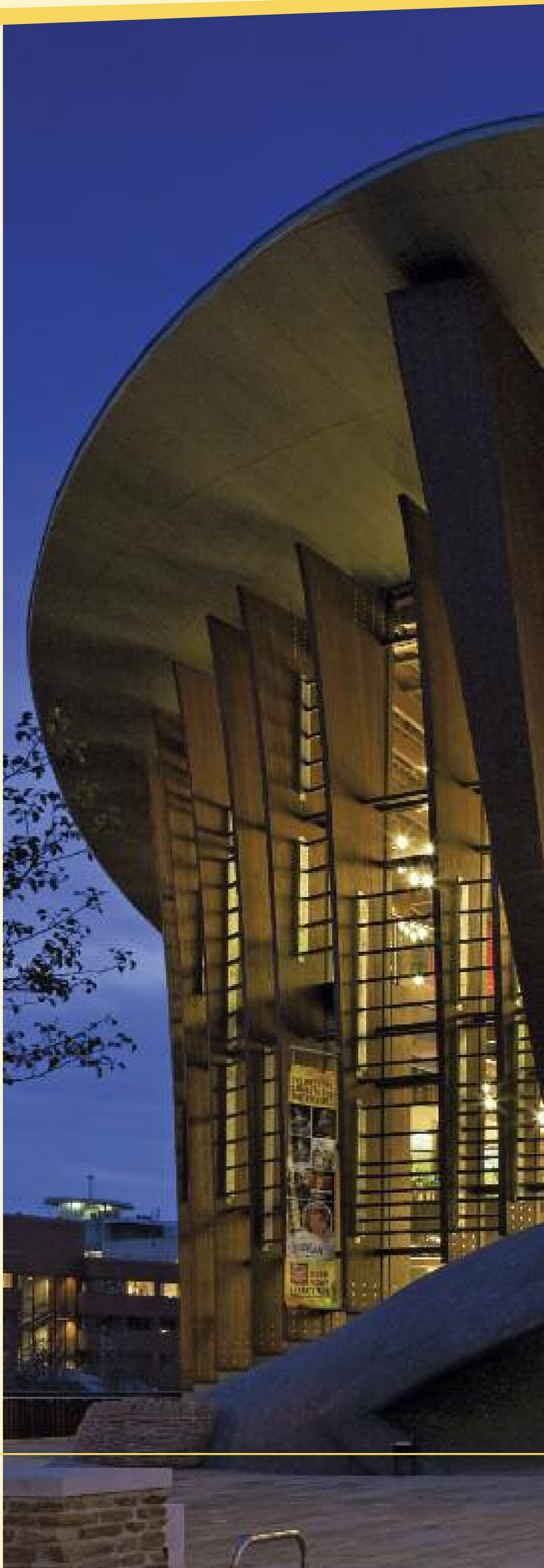
Willmott Dixon Partnerships will continue to form the core of our support services offering which, in turn, will remain centred around the local authority and housing association maintenance market. With public sector revenue as well as capital expenditure budgets now under immense pressure and with much of our margin generated through performance incentives and shared savings, we shall need to remain firmly focused on reducing customer cost through improved efficiency.

Having invested heavily in developing our sustainability expertise over recent years, and with government incentives now starting to support their rhetoric on the urgent need for carbon and energy reduction initiatives, we are pushing forward our own plans for tackling the huge 'retrofit' programme required to adapt existing building stock. Willmott Dixon Partnerships is well placed to support our drive into the domestic retrofit market, and Willmott Dixon Interiors will take the lead role in retrofitting commercial and public buildings. In both instances, their efforts will be guided by the consultancy expertise within Willmott Dixon Re-Thinking, who will also be instrumental in helping the Group meet its declared objectives of achieving both 'zero carbon' and 'zero waste to landfill' status by 2012.

Summary

Having performed very well during 2010, we are now prepared for a more difficult trading period that we expect to last for at least the next three years. We are reasonably well placed for 2011, but expect 2012 and 2013 to be more challenging, characterised by even greater competition, growing inflationary pressure and the risk of supply chain failures. Whilst we are far from complacent, having anticipated this market shift for some time, we are confident that we have the resilience to deal with it; we shall use the opportunity to improve any parts of our businesses that are vulnerable, to retain those parts that are strong, and to come out at the end stronger for the experience.

Colin Enticknap,
Group Chairman



2010

Aylesbury Waterside Theatre, the latest entertainment venue we have constructed

Group Chief Executive's Report

Strength Through Diversity

We are advised by economists that in overall terms the UK has eased out of recession, albeit growth remains marginal and confidence fragile. For many businesses linked directly or indirectly to the construction and property sectors – which have been heavily dependant upon high levels of public sector capital investment during recent years - the likelihood of a return to growth over the next three years looks, and feels, increasingly unlikely. It is against this challenging view of the future that we announce the Group's most significant performance to date, while at the same time providing shareholders with a cautious view of future prospects.

Whilst sector optimism remains low there is much to be proud of and confident in at Willmott Dixon and the 'forward momentum' that I described at this time last year is a recurring theme. The Group is characterised by:

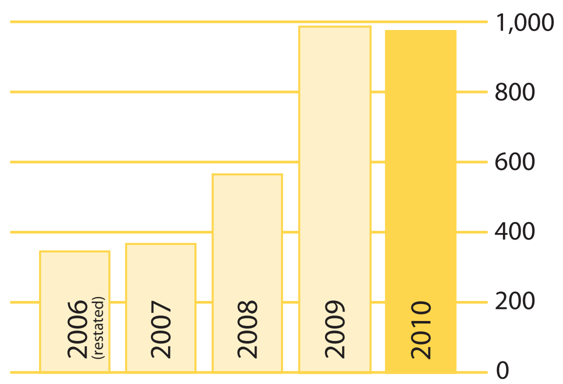
- Continued support of valuable repeat business customers
- A strong order book underpinned by Framework agreements
- A fiercely loyal, empowered and motivated body of employees
- A determination to remain competitive without diluting our fundamental approach to business
- Proactively assessing customer and supply chain risk ahead of contract

The decisions we have taken over the years, and continue to take, are based around sustaining Willmott Dixon for the future by ensuring that today's business is always contemplating and planning how best to address tomorrow's opportunities and threats.

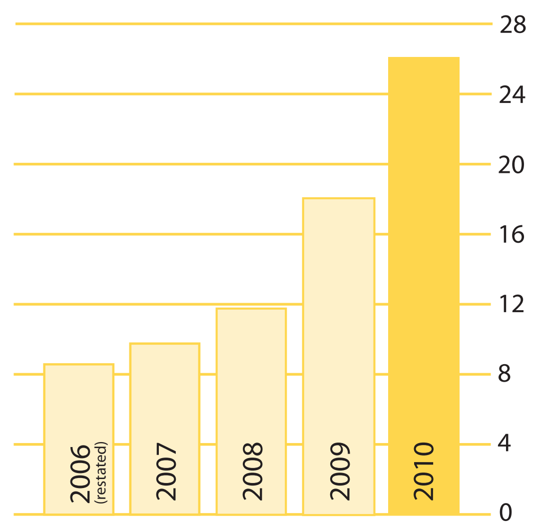
Rick Willmott, Group Chief Executive MCIOB

Our current structure, now just over twelve months old, is already demonstrating its worth and relevance by providing significant opportunities for intra Group projects by providing a more integrated approach, harnessing internal skills and experiences to deliver more efficient outcomes for both external and internal customers.

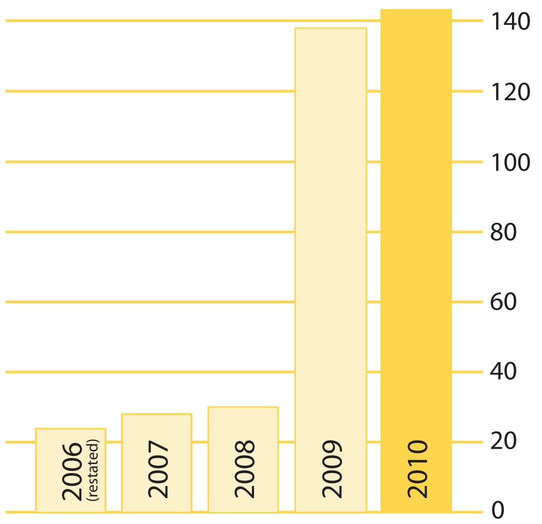
Colin's Group Chairman's Statement has provided detail of our financial and strategic highlights during the course of 2010. My report will focus on the operational performance of our divisions, and demonstrate the importance of sector diversity and the progressive shift in 'public/private' emphasis that we are managing to create.



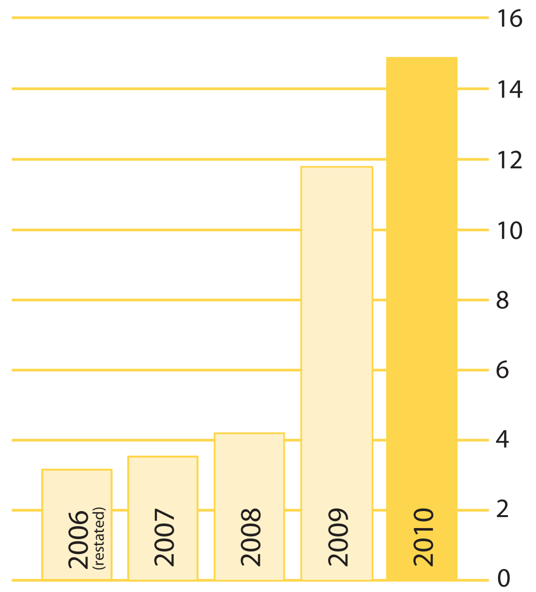
Turnover (£millions) for the Group during the past five years



Profit before tax excluding exceptionals (£millions) for the Group during the past five years



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



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

Willmott Dixon Capital Works ('Capital Works')

Capital Works, remains the 'backbone' of the Group. I am superbly supported by John Frankiewicz as a director of the Board, as Divisional CEO of Capital Works and as Group director responsible for Health and Safety.

John Frankiewicz, Divisional CEO, Willmott Dixon Capital Works

John has had an incredibly busy and stretching 2010 but has dealt with the challenges of the market and the new Government's necessary aversion to capital spending incredibly well, with his characteristic display of rational thinking, good humour and intensity. Strategic plans have been developed for all parts of Capital Works and clarity of structures, job roles, budgeting and reporting have been addressed to improve visibility of results and inevitably control.

John is supported at Divisional level by two directors; Mike Hart, who is responsible for ensuring the operational compliance of the division's three separate brand companies, their Local Company Offices (LCOs) and major projects in excess of £50 million; and Simon Leadbeater, who is responsible for ensuring the quality and competitiveness of the bidding phase of Capital Works projects in excess of £50 million.

Willmott Dixon Construction ('Construction')

2010 turnover of £661 million

In the second quarter of 2010, as part of our preparation for the inevitable reduction in public sector spending, we took the pre-emptive decision to reduce part of Construction's operating costs by working towards the closure of the Dartford LCO. This was a difficult but strategically correct decision, and once taken, the process of transferring our people and reallocating the projects on which they worked was effected with care and efficiency. The impact of this leaner structure has enhanced our competitiveness without compromising either scale or quality of delivery.

John continues to nurture and, as a result, has benefited through the year from the loyalty and support of his team of six managing directors Anthony Dillon, Robert Lambe, Peter Owen, Neal Stephens, Mark Tant and Chris Tredget who all, as well as running significant LCOs, also perform strategic research and market our service to individual industry sectors. It is this 'knowledge led' approach that continues to set Construction apart from its competition and underlies the reputation that the company and its people emit in the industry. Each LCO, as last year, has outperformed its individual budget by some significant margin.

I expressed my view last year that this sector would be 'last in and last out' of recession, my view hasn't changed and there appears to be no softening of pricing despite both commodity price inflation and risk transfer appearing to be increasing significantly. The team are working incredibly hard to redress our public versus private sector imbalance, but are equally keen to maximise public sector volumes where and while they still exist. With this in mind, the company has remained successful at retaining existing positions, and in securing new places on framework agreements. Because they offer opportunities to generate reasonable volumes of work, these places have been hard fought over, but they still present far better prospects than the traditional single stage tender market, which is now typified by our competitors regularly bidding substantially below cost. Their short sighted action can only last for a relatively brief period, as falling profits and depleting cash balances should ultimately curtail this damaging approach. Major competitors such as Rok and Connaught have been the first high profile casualties.

2010

Skinners' Academy in The London Borough of Hackney

Group Chief Executive's Report

Celebrating our management trainees. The 2010 Trainee of the Year was Martin Stewart from Willmott Dixon Partnerships, who was joined by his Managing Director Mick Williamson, second from right, and Group Chief HR Officer Rick Lee, right

2010

There have been a number of particular successes during the year:

- A further 11 Academies, Landau Forte Tamworth, Oldham(2), Kettering(2), Wirral, Harris Academy, Yate Academy, All Saints Church of England Academy, Bedford Academy and The Skinners' Kent Academy have been secured and now commenced following successful lobbying for funding in the light of the emergency budget, and through substantial re-design to minimise cost
- The SCAPE framework was re-secured with Construction as sole delivery partner for up to £350 million of general local authority capital projects over the next three years
- In light of Michael Gove, the Education Secretary, calling for more standardisation we have developed the Sunesis range of cost effective standard school types for primary and secondary education
- We were selected to join the NHS's Procure 21 Plus framework as one of six contractors to deliver up to £4 billion of health sector projects over the next 6 years, albeit despite a number of attempts we have yet to be awarded our first live contract
- Importantly, new, or re-invigorated, customer relationships have been created with major private sector customers such as Quintain, Grosvenor Estates and Tesco. The latter two with regeneration projects that will utilise the skills of at least two of Capital Work's brands on the same project
- The launch of an operational delivery unit on the Isle of Wight to complete around £25 million of educational projects with the local authority
- An agreement to work closely with a Scottish contractor to deliver projects 'north of the border'

Construction's turnover in 2010 has remained stable, which in itself is a significant achievement given the rapidly contracting market. At the time of writing this report Construction had around 80% of its 2011 turnover secure with a reasonable balance of project types, contract forms and levels of pricing.


Bagleys Lane in Fulham, mixed tenure homes for Affinity Sutton

Willmott Dixon Housing ('Housing')

2010 turnover of £202 million.

The social housing market has failed to show any sustained signs of recovery, despite the absolute and unmatched demand for affordable housing provision. There are a number of factors which continue to inhibit growth.

The Government's Comprehensive Spending Review only reconfirmed that central funding was in short supply, and the Kickstart Funding package of some £1.2 billion, that was announced, was very quickly committed and there appears to be no clear strategy to bring the affordable housing market into clear focus. What we do know is that housing starts are at a 70 year low. I will touch on our efforts to generate our own volumes as developer shortly.

The private sector residential developers are returning slowly to market, but progress is slow, many are rebounding following drastic write downs of the value of their carried land assets but it is clear that project finance remains out of favour with the banks, and in short supply. Those projects that have commenced, and which would normally be obliged to deliver a reasonably high proportion of social housing by way of Section 106 contributions, would not be viable without a greater proportion of housing for sale. There remain therefore a number of unsolved problems that will restrict growth for a number of years to come.

A number of major Residential Providers have had successful bond issues, raising several billion pounds, in order to be more proactive in funding affordable schemes, but as yet all have been slow to deliver projects to the market.

Against this unhelpful economic backcloth, Housing has had to work extremely hard to retain its scale. I am therefore delighted to report that our two Housing LCOs, led by Tim Carpenter and John Campion, have delivered 7% growth in turnover and 3% growth in margin when compared to 2009 figures and have made good inroads into parallel markets;

- A £60 million programme of residential care homes for Housing 21 has been successfully completed in the East Midlands
- Major student accommodation provision for the University of Leicester is currently on site
- A further phase of the Extra Care Charitable Trust's retirement village at Milton Keynes brings that project to circa £40 million

2010

- For private residential developers, Housing are also working with Berkeley Homes, Bellway and of course for our own Willmott Dixon Homes

- Mixed use regeneration projects with Grosvenor Estates in Cambridge and recently Tesco in Woolwich

We remain privileged to retain so many repeat business customers. We cannot underestimate their importance to us, particularly so as the tendered market continues to drive our competitors prices down beyond sustainable levels.

Whilst any signs of activity that do exist at the moment are very much London and South East centric, over the next few years we expect to see greater penetration into the wider accommodation markets in the Midlands, the North and the South West, taking advantage where we can of the geographic infrastructure already in place in Construction.

Willmott Dixon Interiors ('Interiors')

2010 turnover of £30 million

The Interiors business incorporating Kanvas, our design led fit-out company, had a challenging year in 2010 with turnover reducing by around 10%, but still remained profit generating.

Interiors relies very heavily on the confidence of corporate customers to commission transformational changes to work spaces in particular. Such changes are driven by customers growing or downsizing teams, sometimes launching new products or brands, or rolling out a new standard or identity to national outlets.

Interiors counts Morrisons, Travelodge and LA Fitness as serial customers in the food retail, hotel and leisure sectors. Kanvas has successfully delivered fit-outs for repeat business customers Mazars, RJW, Telstra and Cemex in the commercial sector.

The company remains flexible enough to support a wide range of customer needs and is creating a reputation for exciting designs, timely delivery and continuity of service especially with national roll out programmes. Our relationship with Travelodge goes from strength to strength with some 3,700 rooms within their hotel portfolio being refurbished during the year from Scotland to Devon.

We expect to see continued expansion of joint working activity providing fit-out capability to other Capital Works companies or their customers. The fit-out of new offices for Newlon Housing Trust, in a shell constructed by Housing, is a prime current example.

Gerry Graville, Managing Director at Interiors has continued, with John's support, to evolve operating structures, to strengthen management teams and to simplify financial reporting controls so that the organisation is best placed to exploit opportunities when the market returns to growth.

Of particular interest, and importance to Interiors, is the non-domestic retrofit market. This market is still in its infancy and not yet properly defined, but huge opportunity lies in improving the cost-in-use and environmental efficiency of existing commercial buildings. This sustainable agenda will see corporate spending on a vast scale as organisations will, through necessity, begin the process of retrofitting their built assets; the so called 'greening' of buildings.

So whilst this market remains highly competitive, quick to be influenced by a changing economy and to that end relatively volatile, we remain confident that 2011 will prove to be a year of growth and also one in which we formalise our strategic response to the developing retrofit market.

2010

Kanvas delivered a bright new interior for Barbican, one of the best known insurance companies in the City

Willmott Dixon Regeneration ('Regeneration')

Regeneration provides the Group and shareholders with an exciting prospect. The Division is the focal point of our ambition and aspiration to derive profit growth in a very different way when compared to our more traditional Capital Works and Support Services Divisions. In its current phase, the Division is almost entirely centred on creating longer term opportunities to develop and invest. Our success over the years to come will be heavily influenced by the physical outputs of this phase; and of course all projects that do emerge will be constructed by Capital Works.

Andrew Telfer, Divisional CEO, Willmott Dixon Regeneration

The Division comprises of four companies;

Willmott Dixon Homes
Willmott Dixon Developments
Willmott Dixon Investments and
Willmott Dixon Properties

Andrew Telfer, our Divisional CEO, has had success during 2010 strengthening the senior teams and drawing together an ambitious strategic plan for each company which, when delivered, will begin to broaden the blend of earnings that we currently consider to be 'our normal profile'. I look forward immensely to working closely with Andrew to realise these aspirations over the course of the coming years.

I will describe the progress of each company in the following section.

Willmott Dixon Homes ('Homes')

2010 turnover of £31 million

At this point last year I made reference to the demise of the London Wide Initiative, a Labour government programme to provide 'fast tracked' affordable and key worker accommodation in the capital. Brian Brady, Managing Director of Homes was able to wrest two important developments from that programme.

The first being a joint venture with Notting Hill Housing Group in Isleworth, with Homes taking sole responsibility for the development, delivery and sale of 106 apartments. This project used Housing as its partnered contractor, with the build phase being completed during the latter part of 2010 and sales of 100 units now completed.

The second development, Brenley Fields in Mitcham, achieved planning, received grant commitment from the Housing and Communities Agency and is now on site being funded jointly from reserves with our joint venture partner, Notting Hill. We have high aspirations for the success of this development.

Also on site and under construction, is phase one of the Dee Park Estate regeneration on the outskirts of Reading, being undertaken in partnership with Catalyst Housing Group and Reading Borough Council. Phase one will deliver 140 sale units and 124 for the affordable rent market. Subsequent phases over the next seven years will provide a further 499 homes.

Work to regenerate Dee Park in Reading is well underway, with phase one delivering 140 units for sale and a further 124 units for affordable rent

Our true aspiration for Homes is to 'lock-in' to significant urban regeneration opportunities that will provide long-term, predictable volumes of units for sale. At the time of writing this report we are in the process of agreeing heads of terms for a major 1,000 home joint venture regeneration of part of East London and pursuing other exciting schemes generally, each aimed at delivering a joint approach with the land owner.

This strategically important joint approach is an essential ingredient in managing both risk and funding for the medium and long-term.

Willmott Dixon Investments ('Investments')

Investments was established as the conduit for the Group to place equity in Public Private Partnership (PPP) opportunities. Our focus at this time last year was preparing to bid for the long awaited round six Housing PFI projects. The new government has now essentially ended PFI as a model; as yet with no clear replacement to encourage private investment in public infrastructure projects.

To ensure that we deliver our strategic aspirations, Andrew and Matthew Pullen (our Managing Director) have generated, in partnership with Savills, the international property consultancy, a model to develop private rented housing, drawing together under-utilised public land assets and institutional equity investors to create a new investment class that is intended to respond to the desperate shortage of affordable homes across the country.

We hope to be able to communicate our first successful appointments during the course of 2011 and to consider other similar propositions in health care facilities and student accommodation.

Willmott Dixon Developments ('Developments')

During 2010 Developments entered into a joint development agreement with Carisbrooke to work with Woking Borough Council to deliver a major mixed use development intended to regenerate the heart of Woking.

Whilst projects of this nature are complicated, resource hungry and not without risk; the scale and potential of true urban regeneration plays to the skill sets of our teams. This is true not only from a development perspective but also where the skills retained within the Capital Works division can be harnessed to generate highly value-engineered solutions that can be packaged by Developments in partnership with other equity investors to create unique, sustainable developments.

The market remains open and willing to discuss development opportunities such as this and we remain in active discussion with a number of potential joint venture partners.

Willmott Dixon Properties ('Properties')

Properties is the Regeneration subsidiary established to hold strategic land assets prior to development and completed developments prior to onward sale.

The two completed, income producing developments held currently are:

- The Mica Point residential development in Birmingham, where 62 apartments have been let almost without voids throughout 2010
- The East Shore Retail development in County Durham, which is anchored by a Sainsbury subsidiary and the remaining 6 units have been well let through the year, given the nature of local tenancies

2010

The new City Centre Campus at University of Wales, Newport, on the banks of the River Usk

Group Chief Executive's Report

Playing a big role in the community at Birmingham

2010

Willmott Dixon Support Services ('Support Services')

I am delighted to report that, as indicated last year, Chris Durkin returned from sabbatical to lead the Support Services division as Divisional CEO. Shareholders will recall that we have growth ambitions for Support Services, which currently focuses its work through Willmott Dixon Partnerships in areas of the public sector where investment in repairs and maintenance is not discretionary.

Chris Durkin, Divisional CEO, Willmott Dixon Support Services

During the course of this year Chris will be formulating a strategy to comprehensively address the residential retrofit market. This latent market sector has huge volume potential with over 25 million existing homes requiring significant modification if they are to meet the low carbon targets established for 2050. Addressing this opportunity will undoubtedly, in the fullness of time, require the establishment of a new Support Services subsidiary to deal with the challenge.

Chris has also just taken on the additional Group-wide role of Director Responsible for Sustainable Development, and in parallel the lead role at Re-Thinking, our Sustainable Development consultancy whose activities will be covered in more depth in Jonathon Porritt's report, later in this document.

Willmott Dixon Partnerships ('Partnerships')

2010 turnover of £76 million

Partnerships is our responsive repairs and planned maintenance company that has grown around 16% during the course of 2010 working primarily for Local Authorities and Arms Length Management Organisations (ALMOs).

The company is our largest by numbers of employees. We deliver the vast majority of our volume through a directly employed multi-skilled workforce of around 1,100 people, working through a network of client dedicated local branches.

Chris is ably supported by Mick Williamson, Managing Director and his senior team who have worked hard to succeed in a complicated and highly competitive market place where the majority of our industry peers are PLCs driven by the demand for growth at all cost. The demise of Connaught, once the 'darling' of the City, illustrates the serious dangers of such an approach.

Chris and the team however have had a number of successes during the course of the year including successfully mobilising the Birmingham South contract, winning and mobilising a substantial contract for Rotherham Metropolitan Borough Council and creating a joint venture model to benefit those housing associations commissioning major maintenance programmes; and of course inducting over 400 new engineers into our employment.

Group Chief Executive's Report

Willmott Dixon People

I have been very fortunate, along with Colin, to have visited many of our project teams and their customers over the last few months. It is increasingly important that we remain in touch with our people together with the products and services that we offer to our customers.

There is not a single visit that we have made that hasn't underlined to us what is unique about our Company and the people who work with us.

We have witnessed a wide range of projects at varying stages of completion and have found that in all cases;

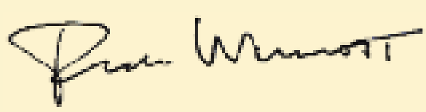
- The customer and the local community are the absolute points of focus for our teams
- The quality of the product we offer is excellent, and generally as good, or better than the specification permits
- On the many projects, where we have met customers, the overriding impression given about our teams is that they are perceived as 'strategic partners', providing appropriate challenge, discipline, impartiality and viable solutions
- Our people have stood out through the evident pride in what they do and the tangible commitment they demonstrate to doing the best they possibly can for the company; trusting that the company, in turn, will reciprocate. Our role is to continue to ensure that happens

The awards won over the last year, by both our Company and our staff are too numerous to all be mentioned, the page opposite provides a small indication of some of our successes but I particularly want to single out Mark Thornhill, Lee Bushell and Andy Miles who all received Gold Medals at the industry recognised 'Construction Manager of the Year Awards'. Since 1999 Willmott Dixon employees have been awarded more gold medals than any other contractor in the industry, which is a superb achievement.

Finally, but by no means least, I must pay tribute to Colin Enticknap, our Group Chairman, who continues to offer me, and our most senior team, incisive, supportive critique and guidance, through timely interventions and charismatic leadership. All of us at the Company are privileged to count him as colleague and friend.

Summary

Whilst the Group has had a very successful year, we remain genuinely concerned about trading conditions that lie ahead. We are, however, prepared to engage evolving circumstances 'head-on' and, above all else, remain determined to continue delivering exceptional performance for our customers and security of investment for our shareholders.



Rick Willmott,
Group Chief Executive

2010

Inside Housing's Sustainable Contractor of the Year

North West Contractor of the Year

Building magazine's Major Contractor of the Year

Marie Hope, Tenant Liaison Officer of the Year at the TPAS Central Region awards

A Sunday Times Top 100 Company To Work For

Construction Manager of the Year 2010 - three gold medal winners!

Sustainable Development

Hitchin Managing Director Chris Tredget with a team of over 60 who planted 1,664 small trees at the new Heartwood Forest near St Albans

Jonathon Porritt, Non-Executive Director

Willmott Dixon has long stated its intention to lead the construction sector on sustainable development. Being a leader means not just having exemplary sustainable performance but providing positive influence across the whole sector. Our goal is to help shape thinking and policy at the highest level alongside being a strategic partner for our clients to help them meet their energy efficiency and low carbon challenges.

Continually reinforcing the business case for sustainable development is central to our approach as both we and our clients operate in a progressively more challenging environment.

At the policy level, our Re-Thinking team has been instrumental in helping to develop the definition of zero carbon announced in the budget and in shaping the Green Deal finance mechanism for improving the energy efficiency of housing and non domestic buildings incorporated in the Energy Bill introduced to Parliament in December. We also seek to support and encourage Government ambitions on important low carbon and broader sustainability issues through our membership of the Aldersgate Group.

We believe that working as partners with contractors, consultants and clients to develop new delivery strategies and tools is a more effective way to effect change than acting unilaterally. We work with the UK Green Building Council on sustainable challenges in how buildings are planned, designed, constructed and maintained, and with the UK Contractors Group where we chair the environmental sub group.

Our ethos to be open and share our learning with the wider industry saw myself and fellow colleagues deliver technical seminars at this year's EcoBuild exhibition. We also led several low carbon seminars alongside clients at the recent MIPIM property conference.

As we tackle these challenges, I am delighted that Chris Durkin has become Group Director Responsible for Sustainable Development and will work closely with Re-Thinking as we continue to develop new solutions for our clients.

Managing our own impacts

We continue to progress towards our goal of being a carbon neutral business that sends zero waste to landfill by 2012 and publicly report our performance. I'm pleased to say that in 2010 we diverted 90.8% of all waste from landfill and, as a result of the reduction in our construction waste, saved in excess of £2.3 million in disposal costs and landfill tax.

Another success has been how we have reduced emissions from our fleet of company cars between 2007 and 2010. In 2007 the average company car emission was 160g CO_2/km and by December 2010 this was down to 128g. Average emissions of our commercial fleet also reduced from 143g CO_2/km in September 2009 to 134g by February 2011. However, we know there is a lot more still to be done here.

Last year we turned our attention to the energy we use in our permanent offices and are installing remote monitoring in all the offices to capture energy and water use so we can use the data to influence behaviour and create improvement plans.

Sustainable Development

Each office now has a Display Energy Certificate, a practice which Willmott Dixon has been calling for all private companies to do through the UK Green Building Council.

Reducing energy consumption from our construction sites remains a much tougher challenge, and this is an area where the Re-Thinking team is currently working with the Strategic Forum for Construction and leading our efforts to deliver solutions.

As well as reducing our negative impacts, we are working to improve our positive impacts in communities. We do a lot of one off projects already, and later this year we will launch the Willmott Dixon Community Development Foundation, which will give our business a strategic and structured approach to community engagement. It will also allow us to capture all the considerable work we currently do.

Sending people home safely at the end of each day is an absolute priority. We have trained over 2,000 people from our supply chain as registered Site Safety Supervisors as part of a culture that everyone on our sites should take responsibility for thinking about safety. Of all UK Contractors Group members, we have the highest proportion of workers accredited under this ConstructionSkills Certification Scheme, which ensures competence and safety knowledge.

Developing and training our people remains crucial to meeting our sustainable development goals. Last year we developed unique software which identifies gaps in individuals' sustainable development competencies and then creates personal training plans to fill those gaps in line with company goals. In 2010, we also modified staff incentive payments to include sustainable development targets.

Taking carbon out of the built environment

Leadership also means influencing the materials used on new projects and how energy is delivered once they are complete.

For example on Bridport House in Hackney we demonstrated to the local authority that we could save more whole life carbon by changing the structure from in-situ concrete to a cross-laminated timber frame thereby saving on embodied carbon now rather than by installing the 20% renewable energy requirement they had set.

The new Morrisons supermarket we are building in Peterborough will be one of the first in Europe to be entirely lit by highly efficient LED lighting, and will also be partly powered by a Solar Wall system on the cladding that draws heat into the store's heating and ventilation system.

In Islington, we are behind the first zero carbon 'in-use' school, Ashmount Primary School. The school, along with a nearby nursery and refurbished youth centre, will be powered by a new community CHP energy centre we are building. The energy centre will also provide heat to adjacent housing, a shared approach to community energy distribution that shows how low carbon neighbourhoods can be delivered.

We are also a founding member of the Passivhaus Trust, which promotes a super-low energy design approach pioneered in Germany, and have recently been selected to deliver the UK's largest Passivhaus scheme, Chester Balmore in Camden.

On these and other projects, the in-house expertise we have, most notably through Re-Thinking, has helped make them happen and been of invaluable support to the client and consultant teams we work with.

2010

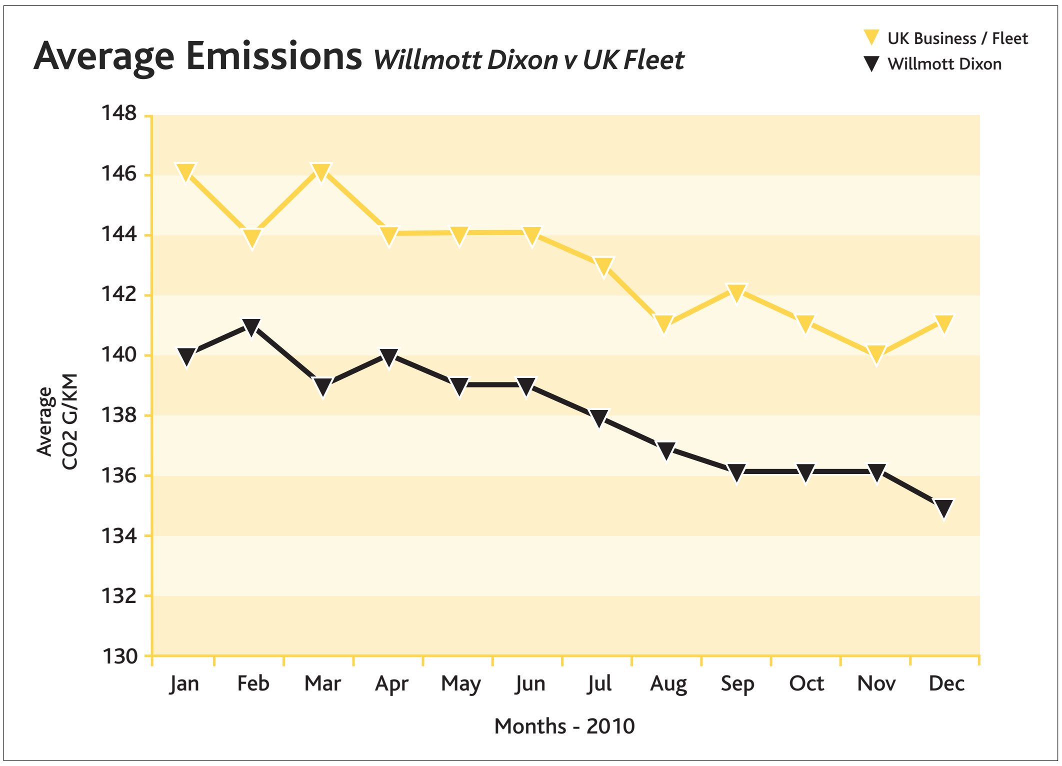
A team from Willmott Dixon Partnerships' branch in Burton-upon-Trent gave up their weekend to provide essential maintenance work for the local RSPCA shelter

Our part in the Green Deal

Members of our Re-Thinking team were heavily involved in shaping the government's Green Deal which aims to kick-start the retrofit of private houses to make them more energy efficient. This programme offers huge opportunities and we have a number of projects which are helping to develop our expertise in this area.

In South Cambridgeshire we hope to be working with the district council on a pilot project to retrofit 12 houses by the summer, which Cambridge University will then monitor for two years. And in Lewisham we are working with Phoenix Housing on a pilot retrofit scheme.

We have engaged with Birmingham City Council on the development of Birmingham Energy Savers Scheme which will be coming to market later this year. This will see the council provide three years, or £75 million, of funding to stimulate the market for private home retrofit.



Sustainable Development

Solutions for the future

Meeting future goals for carbon reduction will require cultural and behavioural change together with innovative products and solutions which is why Willmott Dixon is investing in research and development on a number of fronts.

Low carbon retrofit is a particularly important sector as approximately 80% of the buildings in 2050 already exist now. The Whitehall Energy Efficiency Programme, sponsored by the Technology Strategy Board, is looking at how retrofit can be delivered and as part of this programme, we are investigating the performance of phase change ceiling tiles which effectively act as a heat sink.

We are also tackling the thorny issue of a building's actual performance versus what was targeted during its design through a number of strands: post-occupancy evaluations, energy audits and long-term monitoring. This will allow us to learn and in doing so help our clients make informed decisions about both retrofit and new build energy efficiency solutions.

We are also working on two Technology Strategy Board projects to develop whole life costing tools which we believe will benefit the whole sector.

The hurdles ahead

Perhaps the biggest challenge we face is the fact that all our clients are looking to reduce their capital spend. This means that our argument that whole life costs should be considered alongside capital costs becomes harder to make. Our approach is to offer our clients solutions which are both affordable and energy efficient by drawing on the growing body of expertise and data within our businesses, most notably within Re-Thinking.

In the commercial sector, there is also the issue of how buildings are valued. More energy efficient properties do not currently attract higher valuations, and until they do the driver for retrofit just isn't there. However, there have been small, encouraging signs, one being the Government's recent introduction in the budget of a carbon floor price and another being the impending requirement for commercial properties to have a Display Energy Certificate (DEC).

While there remains much to do, I am excited by the progress we are already making in 2011.

Jonathon Porritt,
Non-Executive Director

2010

Murray House, quality new housing in the centre of London for Circle

Sustainable Development

Blaydon Leisure and Primary Care Centre near Gateshead; one of the first in the UK to combine fitness, leisure and primary healthcare facilities under one roof

2010

putting people first

building a low carbon future

strategic partner

responsible business

relationship focused

regeneration

a great place to work

proud to be private

preserving our environment

openness

deep rooted values

integrity and trust

entrepreneurial

involved in the community

The Directors submit their report with the audited accounts for the year ended 31 December 2010.

Results

The Group profit for the year before amortisation and taxation amounted to £29,752,000. The profit for the year before taxation was £26,563,000. The tax charge in respect of this result is £9,379,000.

Dividends

Dividends of £12,000,000 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 4 to 9 and the Group Chief Executive's Report on pages 10 to 27.

Directors

The current Directors are listed on page 2.

The following changes in directors have occurred since 1 January 2010:

	Appointed
Chris Durkin	1 January 2010

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 2010, were 34 days (2009: 35 days).

Donations
The Group made donations in the year to charities amounting to £47,000 (2009: £23,000).

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 trading 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 subject is minimal.

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

Disclosure of information to the auditor
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is 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 auditor is aware of that information.

By Order of the Board
Wendy McWilliams
Secretary

21 April 2011

The directors are responsible for preparing the directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

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

Report of the Independent Auditor to the Members of Willmott Dixon Holdings Limited

We have audited the financial statements of Willmott Dixon Holdings Limited for the year ended 31 December 2010 which comprise the consolidated profit and loss account, the consolidated and Parent Company balance sheets, the consolidated cash flow statement, the consolidated and Parent Company reconciliations of movements in equity shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

David Pomfret (Senior statutory auditor)

for and on behalf of PKF (UK) LLP, Statutory auditor

London, UK

21 April 2011

Consolidated Profit and Loss Account

2010

Year Ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover: Group and share of joint ventures	2	**1,002,512**	1,003,413
Less: share of joint ventures		**(12,995)**	(4,467)
Group turnover		**989,517**	998,946
Cost of sales		**(874,220)**	(901,362)
Gross profit		**115,297**	97,584
Administrative expenses		**(89,579)**	(80,429)
Operating profit		**25,718**	17,155
Share of operating profit of joint ventures		**109**	546
Share of operating loss of associates		**–**	(40)
		25,827	17,661
Interest payable and similar charges	3	**(118)**	(83)
Interest receivable	4	**854**	605
Profit on ordinary activities before taxation	5	**26,563**	18,183
Tax on profit on ordinary activities	8	**(9,379)**	(6,754)
Profit for the financial period		**17,184**	11,429

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.

Consolidated Balance Sheet

As at 31 December 2010

	Notes	2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Goodwill	10		**57,435**		60,624
Tangible assets	11		**3,412**		3,754
Investment in joint ventures	12				
Share of gross assets		**8,732**		20,823	
Share of gross liabilities		**(8,830)**		(20,769)	
Loans		**2,287**		1,501	
			2,189		1,555
Investment in associates	12		**–**		104
			63,036		66,037
Current assets					
Stocks	13	**7,576**		8,644	
Debtors	14	**264,266**		252,365	
Cash and bank balances		**62,248**		59,913	
		334,090		320,922	
Creditors: amounts falling due within one year	15	**(247,555)**		(247,743)	
Net current assets			**86,535**		73,179
Total assets less current liabilities			**149,571**		139,216
Creditors: amounts falling due after one year	16		**(4,287)**		–
Provision for liabilities and charges	18		**(2,340)**		(1,597)
			142,944		137,619
Capital and reserves					
Called up share capital	19		**100,000**		100,000
Share premium account	20		**2,083**		2,083
Profit and loss account	20		**40,861**		35,536
			142,944		137,619

These financial statements were approved and authorised for issue by the Board of Directors on 21 April 2011 and were signed on its behalf by:

Colin Enticknap Group Chairman

Company Balance Sheet

As at 31 December 2010

2010

Company Number: 0198032

		2010		2009	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	11		1,273		1,343
Investments	12		112,849		112,877
			114,122		114,220
Current assets					
Debtors	14	2,726		1,994	
Cash and bank balances		49,067		47,270	
		51,793		49,264	
Creditors: amounts falling due within one year	15	(29,032)		(30,225)	
Net current assets			22,761		19,039
Total assets less current liabilities			136,883		133,259
Creditors: amounts falling due after one year	16		(237)		–
Provision for liabilities and charges	18		(642)		(434)
			136,004		132,825
Capital and reserves					
Called up share capital	19		100,000		100,000
Share premium account	20		2,083		2,083
Profit and loss account	20		33,921		30,742
			136,004		132,825

These financial statements were approved and authorised for issue by the Board of Directors on 21 April 2011 and were signed on its behalf by:

Colin Enticknap Group Chairman

Consolidated Cash Flow Statement

Year ended 31 December 2010

	Notes	2010 £000	2009 £000
Cash flow from operating activities	26	**49,694**	69,877
Distributions from joint ventures		**238**	1,104
Returns on investments and servicing of finance	26	**719**	346
Capital expenditure and financial investment	26	**(1,919)**	(2,067)
Acquisitions and disposals	26	**–**	(71,909)
Equity dividends paid	9,26	**(12,000)**	(225)
Cash flow before use of liquid resources and financing		**36,732**	(2,874)
Management of liquid resources	26	**–**	24,704
Financing	26	**(34,397)**	30,144
Increase in cash		**2,335**	51,974
Reconciliation of net cash flow to movement in net funds	26		
Increase in cash		**2,335**	51,974
Decrease in current asset investments		**–**	(20,000)
Finance leases taken		**(612)**	–
Finance lease repayment		**153**	–
Loans acquired with subsidiaries		**–**	(7,260)
(Increase) / decrease in borrowings		**(18)**	3,297
Movement in net funds		**1,858**	28,011
Net funds at 1 January 2010		**55,950**	27,939
Net funds at 31 December 2010		**57,808**	55,950

Reconciliation of Movements in Equity Shareholders' Funds

2010

Year ended 31 December 2010

Consolidated	Notes	2010 £000	2009 £000
Profit for the financial period		**17,184**	11,429
Issue of new share capital		**–**	95,500
Movement on Employee Benefit Trust		**141**	–
Ordinary dividends	9	**(12,000)**	(225)
Movements in equity shareholders' funds		**5,325**	106,704
Equity shareholders' funds at 1 January 2010		**137,619**	30,915
Equity shareholders' funds at 31 December 2010		**142,944**	137,619

Company	Notes	2010 £000	2009 £000
Profit for the financial period		**15,038**	4,508
Issue of new share capital		**–**	95,500
Movement on Employee Benefit Trust		**141**	–
Ordinary dividends	9	**(12,000)**	(225)
Movements in equity shareholders' funds		**3,179**	99,783
Equity shareholders' funds at 1 January 2010		**132,825**	33,042
Equity shareholders' funds at 31 December 2010		**136,004**	132,825

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, in accordance with applicable UK accounting standards and are prepared on a going concern basis.

b) Basis of consolidation

The Group accounts consolidate the accounts of Willmott Dixon Holdings Limited and its subsidiaries for the year ended 31 December 2010. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes.

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 up to a maximum of 20 years.

Willmott Dixon Holdings Limited has taken advantage of Section 408 of the Companies Act 2006 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 20% 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.

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

Interests in joint ventures are stated at the Group's share of the gross assets and gross liabilities. Interests in joint ventures with net liabilities are disclosed within provisions for liabilities and charges.

Parent Company investments in subsidiaries are stated at cost less provision for any impairment.

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 expensed to the profit and loss account on a straight line basis over the term of the lease.

Assets held under finance leases are included in fixed assets at the lower of fair value at the date of acquisition and present value of the minimum lease payments. The capital element of outstanding finance leases is included in creditors. The finance charge element of rentals is expensed to the profit and loss account at a constant periodic rate of charge on the outstanding obligations.

i) Research and development

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

j) Retirement benefits

For the duration of its contractual relationships with various local authorities the Group contributes to appropriate local authority pension schemes in respect of employees working for the Group under TUPE arrangements in accordance with the rates advised by those schemes. Our policy is that these schemes are accounted for as defined contribution schemes; contributions have been expensed as they fall due and no other liability has been recognised.

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

k) Interest rate hedges

The Group's financial liabilities include a long term bank loan at a floating rate of interest. The Group has therefore entered into contractual arrangements that provide a hedge against increases in interest rates. Such hedge instruments are recognised in the balance sheet at the lower of cost and net realisable value. Receipts from these instruments are deducted from the interest payable in the profit and loss account at the same time as the matched underlying interest cost.

2 Turnover

Turnover represents revenue recognised in respect of services provided during the period, stated net of value added tax. Revenue from the sale of housing is recognised when the Group has transferred legal title to the buyer.

3 Interest payable and similar charges

	2010	2009
	£000	£000
Bank loans	97	83
Finance lease interest	21	–
	118	83

4 Interest receivable

	2010	2009
	£000	£000
From cash and bank balances	535	439
From joint ventures	319	166
	854	605

5 Profit on ordinary activities before taxation is stated after charging:

	2010	2009
	£000	£000
Depreciation of tangible fixed assets – owned assets	1,740	2,441
Depreciation of tangible fixed assets – assets held under finance leases	112	–
Loss on disposal of tangible fixed assets	94	44
Amortisation of goodwill	3,189	3,189
Operating lease rentals – plant and machinery	2,283	2,408
– other rentals	5,465	5,825
Directors' remuneration (see note 7)	2,504	2,006
Auditor's remuneration – for Parent Company audit services	21	21
– for subsidiary company audit services	103	114
– for taxation services	51	24
– for other services	3	24

6 Employees

The average weekly number of employees, excluding Directors, during the year was made up as follows:	2010	2009
	No.	No.
Office and administration	1,084	1,042
Site and production	1,865	1,631
	2,949	2,673
	£000	£000
Staff costs during the year amounted to:		
Wages and salaries	105,759	102,260
Incentive payments to staff	14,822	11,614
Pension contributions	4,856	3,947
Social security costs	12,951	12,599
	138,388	130,420

7 Directors' remuneration

	2010	2009
	£000	£000
Fees	190	234
Remuneration	300	302
Pension contributions	134	138
Profit share payments	1,880	1,332
	2,504	2,006

The remuneration of the highest paid Director was £1,103,000 (2009: £741,000) including pension contributions of £54,000 (2009: £79,000).

8 Taxation

	2010 £000	2009 £000
a) Analysis of charge:		
Current tax		
Corporation tax at 28% (2009: 28%)	**7,871**	6,494
Payments made for group relief	**930**	562
Adjustments in respect of prior years	**154**	–
Share of tax of joint ventures	**–**	6
	8,955	7,062
Deferred tax		
Origination and reversal of timing differences	**397**	(308)
Effect of change in tax rate	**27**	–
	9,379	6,754

b) Factors affecting tax charge for year

	2010 £000	2009 £000
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (28%). The differences are explained below:		
Profit on ordinary activities before tax	**26,563**	18,183
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2009: 28%)	**7,437**	5,091
Expenses not deductible for tax purposes	**592**	673
Amortisation of goodwill	**893**	893
Capital allowances for the year less than depreciation	**39**	127
Share of associate	**–**	3
Other timing differences	**(61)**	275
Profit on sale of investments	**(99)**	–
Adjustments in respect of prior years	**154**	–
Current tax	**8,955**	7,062

Where applicable, interest has been imputed on intra group balances in the relevant entities corporation tax returns. There is no effect on the tax charge in the individual companies, as the effect of the adjustments are offset by the associated group relief surrenders/claims.

The deferred tax liability of £424,000 (2009: asset of £308,000) was transferred to Hardwicke Investments Limited.

c) Factors that may affect future tax charges

The Group is not aware of any significant factors that may affect future tax charges, other than the continued amortisation of goodwill.

9 Dividends

	2010 £000	2009 £000
Ordinary dividends	12,000	225

10 Goodwill

	2010 £000
Group	
Cost	
1 January 2010 and 31 December 2010	63,813
Amortisation	
1 January 2010	3,189
Charge for the year	3,189
31 December 2010	6,378
Net Book Value	
31 December 2010	57,435
31 December 2009	60,624

The Directors consider that the useful life of the goodwill on the acquisitions made in 2009 is at least 20 years and therefore in accordance with UK Generally Accepted Accounting Practice is being amortised over 20 years.

11 Tangible assets

Group	Land and buildings £000	Computer equipment £000	Plant and equipment £000	Furniture and fittings £000	**2010 Total £000**
Cost					
1 January 2010	2,203	6,573	1,288	1,545	**11,609**
Additions	322	1,184	81	17	**1,604**
Disposals	(20)	(924)	(174)	(42)	**(1,160)**
31 December 2010	2,505	6,833	1,195	1,520	**12,053**
Depreciation					
1 January 2010	1,518	4,682	1,015	640	**7,855**
Depreciation in the year	394	1,180	137	141	**1,852**
Eliminated on disposals	(5)	(865)	(156)	(40)	**(1,066)**
31 December 2010	1,907	4,997	996	741	**8,641**
Net Book Value					
31 December 2010	598	1,836	199	779	**3,412**
31 December 2009	685	1,891	273	905	**3,754**

	2010 £000	2009 £000
The Group net book value of land and buildings comprises:		
Freehold land and buildings	**15**	15
Short leasehold land and buildings	**583**	670
	598	685

The net book value of assets held under finance leases amounts to £500,000 (2009: £nil), and depreciation of £112,000 (2009: £nil) has been expensed to the profit and loss account.

11 Tangible assets *(continued)*

Parent Company	Short leasehold land and buildings £000	Computer equipment £000	Plant and equipment £000	Furniture and fittings £000	**2010 Total £000**
Cost					
1 January 2010	1,007	2,167	220	493	**3,887**
Additions	48	592	5	–	**645**
Disposals	–	(23)	–	–	**(23)**
31 December 2010	1,055	2,736	225	493	**4,509**
Depreciation					
1 January 2010	737	1,424	164	219	**2,544**
Depreciation in the year	147	491	31	46	**715**
Eliminated on disposals	–	(23)	–	–	**(23)**
31 December 2010	884	1,892	195	265	**3,236**
Net Book Value					
31 December 2010	171	844	30	228	**1,273**
31 December 2009	270	743	56	274	**1,343**

The net book value of assets held under finance leases amounts to £387,000 (2009: £nil), and depreciation of £86,000 (2009: £nil) has been expensed to the profit and loss account.

12 Investments

Group	Joint Ventures £000	Associates £000	2010 Total £000
Investments			
1 January 2010	54	–	**54**
Profit for the year	86	–	**86**
Distribution received	(238)	–	**(238)**
31 December 2010	(98)	–	**(98)**
Loans			
1 January 2010	1,501	104	**1,605**
Additions	1,089	–	**1,089**
Provision	(303)	–	**(303)**
Disposal	–	(104)	**(104)**
31 December 2010	2,287	–	**2,287**
Total Investments			
31 December 2010	2,189	–	**2,189**
31 December 2009	1,555	104	**1,659**

Parent Company	Subsidiaries £000
Shares at Cost	
1 January 2010	**113,490**
Disposals	**(50)**
31 December 2010	**113,440**
Provisions	
1 January 2010	**(613)**
Movement in the year	**22**
31 December 2010	**(591)**
Total Investments	
31 December 2010	**112,849**
31 December 2009	**112,877**

The list of principal subsidiaries and joint ventures is set out in note 27.

13 Stocks

	Group	
	2010	2009
	£000	£000
Raw materials and consumables	**629**	540
Work in progress	**6,947**	8,104
	7,576	8,644

Included within the work in progress balance is interest amounting to £167,000 (2009: £222,000).

14 Debtors

	Group		Parent Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Trade debtors	**40,021**	50,170	**–**	59
Amounts recoverable on contracts	**33,937**	38,654	**–**	–
Amounts due from group companies	**183,517**	158,507	**–**	–
Prepayments and accrued income	**6,791**	5,034	**2,726**	1,935
	264,266	252,365	**2,726**	1,994

Debtors include an amount of £893,000 (2009: £nil) which falls due after more than one year.

15 Creditors: amounts falling due within one year

	Group		Parent Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Bank loan	**–**	3,963	**–**	–
Trade creditors	**182,847**	166,268	**563**	105
Amounts due to group companies	**–**	–	**20,259**	20,053
Payments on account	**38,527**	48,894	**–**	–
Other tax and social security	**4,215**	4,525	**4,148**	4,481
Other creditors	**80**	475	**80**	469
Finance leases (see note 23)	**153**	–	**118**	–
Accruals and deferred income	**21,733**	23,618	**3,864**	5,117
	247,555	247,743	**29,032**	30,225

16 Creditors: amounts falling due after one year

	Group 2010 £000	Group 2009 £000	Parent Company 2010 £000	Parent Company 2009 £000
Bank loan (see note 17)	**3,981**	–	**–**	–
Finance leases (see note 23)	**306**	–	**237**	–
	4,287	–	**237**	–

The bank loan is subject to a variable rate of interest based on the London Inter-Bank Offered Rate (LIBOR). The loan is secured on work in progress.

17 Bank loan: matures as follows

	Group 2010 £000	Group 2009 £000	Parent Company 2010 £000	Parent Company 2009 £000
Within one year	**–**	3,963	**–**	–
Between two and five years	**3,981**	–	**–**	–
	3,981	3,963	**–**	–

The bank loan comprises a term loan of £4,000,000 which is offset by deferred arrangement fees of £19,000.

18 Provision for liabilities and charges

	Group		Parent Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Share of net liabilities of associates	**–**	40	**–**	–
Redundant premises provision	**642**	784	**642**	434
Provisions for legal and contract costs	**1,698**	773	**–**	–
	2,340	1,597	**642**	434

The redundant premises provision at 31 December 2010 is expected to be utilised over a period of approximately 5 years. The provisions for legal and contract costs relate to claims in respect of contracts and are expected to be utilised within a year.

	Group	Parent Company
	2010	**2010**
	£000	**£000**
1 January 2010	**1,597**	**434**
Provisions utilised	**(562)**	**(212)**
Additional provisions	**1,345**	**420**
Disposal of net liabilities of associates	**(40)**	**–**
31 December 2010	**2,340**	**642**

19 Called up share capital

	2010	2009
	£000	£000
Ordinary shares of £1 each		
Allotted, called up and fully paid	**100,000**	100,000

20 Reserves

	Share premium account	Profit and loss account
	£000	£000
Group		
1 January 2010	2,083	35,536
Profit for the financial period	–	17,184
Movement on Employee Benefit Trust	–	141
Ordinary dividends	–	(12,000)
31 December 2010	**2,083**	**40,861**

	Share premium account	Profit and loss account
	£000	£000
Parent Company		
1 January 2010	2,083	30,742
Profit for the financial period	–	15,038
Movement on Employee Benefit Trust	–	141
Ordinary dividends	–	(12,000)
31 December 2010	**2,083**	**33,921**

21 Profit attributable to members of the Parent Company

The profit of the Parent Company for the year was £15,038,000.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

22 Ultimate Parent Company

The Company is jointly owned by Walsworth Limited and Hardwicke Investments Limited.

The Company's Ultimate Parent and controlling party is Hardwicke Investments Limited. The consolidated financial statements can be found at Companies House.

23 Group leasing commitments

Obligations under operating leases at 31 December 2010 were as follows:

	2010	2009
	£000	£000
Land and buildings:		
Commitments payable within one year under leases expiring:		
Within one year	63	219
Within two to five years	1,094	998
After five years	765	793
	1,922	2,010
Other leases:		
Commitments payable within one year under leases expiring:		
Within one year	834	1,032
Within two to five years	2,483	2,459
	3,317	3,491

No future commitments exist under the terms of leases of vans used by operational field staff.

Obligations under finance leases at 31 December 2010 were as follows:

	Group		Parent Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Amounts payable in respect of finance leases:				
Within one year	153	–	118	–
Within two to five years	306	–	237	–
	459	–	355	–

Finance leases are secured on the related assets.

24 Group guarantees

The Company has, with Hardwicke Investments Limited, Walsworth Limited and certain subsidiaries, entered into multi-lateral financial guarantees of £4,500,000 (2009: £19,900,000) 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 entered directly into certain financial guarantees concerning the performance of construction contracts entered into by subsidiary companies 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.

25 Related party transactions

The list of principal subsidiaries and joint ventures is set out in note 27.

The Company is entitled to the exemption from disclosing related party transactions with entities within the Group that are 100% owned in accordance with Financial Reporting Standard 8 'Related Party Transactions'.

The Group's related party transactions are summarised below:

	2010	2009
Joint Venture Entities	**£000**	£000
Sales to Widacre Lifespace Saffron LLP	**4**	1,132
Sales to Widacre Lifespace Scott LLP	**–**	292
Sales to Dee Park Partnership LLP	**7,006**	279
Sales to KLA Twickenham Road LLP	**4,906**	22,239
Purchases from KLA Twickenham Road LLP	**14,348**	4,295
Amounts due from Dee Park Partnership LLP	**724**	28
Amounts due from KLA Twickenham Road LLP	**211**	–

During the year a loan of £303,000 was made to Woking Gateway LLP in respect of pre development contract costs. This balance has been fully provided against.

	2010	2009
Associated Companies	**£000**	£000
Sales to and interest received from BBH Services Limited	**–**	18
Amounts due from BBH Services Limited	**–**	454

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 2006 or Financial Reporting Standard 8.

On 31 December 2009 Colin Enticknap and Rick Willmott, at the Company's request, each sold 7,500 shares in both Willmott Dixon Developments Limited and Willmott Dixon Investments Limited back to the Parent Company at par.

26 Notes to the cash flow statement

	2010	2009
	£000	£000
Reconciliation of operating profit to net cash flow from operating activities		
Group operating profit	25,718	17,155
Depreciation charges	1,852	2,441
Loss on sale of tangible fixed assets	94	44
Amortisation of goodwill	3,189	3,189
Movement in provisions	743	840
Other non cash movements	147	486
Movement in working capital balances:		
Decrease in stocks	1,068	1,623
Decrease in debtors	13,126	6,090
Increase in creditors	3,757	38,009
Net cash flow from operating activities	49,694	69,877

	2010	2009
	£000	£000
Returns on investments and servicing of finance		
Interest paid	(97)	(83)
Interest received	837	429
Finance lease interest paid	(21)	–
	719	346

26 Notes to the cash flow statement (cont)

	2010	2009
	£000	£000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(992)**	(2,072)
Loans to joint ventures	**(927)**	(1,291)
Repayment of loans by joint ventures	**–**	1,296
	(1,919)	(2,067)

	2010	2009
	£000	£000
Acquisitions and disposals		
Acquisitions	**–**	(73,216)
Asset transfer	**–**	1,307
	–	(71,909)

	2010	2009
	£000	£000
Equity dividends paid		
Ordinary dividends	**(12,000)**	(225)

	2010	2009
	£000	£000
Management of liquid resources		
Sale of short term investments	**–**	24,704

26 Notes to the cash flow statement (cont)

	2010	2009
	£000	£000
Financing		
Issue of ordinary share capital	–	95,500
Finance lease capital repayments	(153)	–
Repayment of development loans	–	(3,297)
Renegotiation of loan	14	–
Advances to group companies	(34,258)	(62,059)
	(34,397)	30,144

Analysis of net funds

	1 January 2010	Cash flow	Non cash flow	31 December 2010
	£000	£000	£000	£000
Cash and bank balances	59,913	2,335	–	62,248
Bank loan due within one year	(3,963)	3,963	–	–
Bank loan due after one year	–	(4,000)	19	(3,981)
Finance leases due within one year	–	–	(153)	(153)
Finance leases due after one year	–	153	(459)	(306)
	55,950	2,451	(593)	57,808

Non cash flow items relate to deferred finance costs and finance leases taken in the year.

27 Principal Subsidiaries and Joint Ventures

The information below relates to those subsidiary companies and joint ventures which, in the opinion of the Directors, principally affect the profit or assets of the Group.

The percentage holdings shown below represent both the voting rights held and the proportion of issued ordinary share capital held. All subsidiary companies and joint ventures are registered in England and Wales.

Subsidiaries

Name	Main Activity	% Holding
Willmott Dixon Capital Works Limited *	Intermediate holding company	100%
Willmott Dixon Construction Limited	General design and build	100%
Willmott Dixon Housing Limited	Housing design and build	100%
Willmott Dixon Interiors Limited	Interiors and refurbishment	100%
Kanvas Interiors Limited	Interiors and refurbishment	100%
Willmott Dixon Regeneration Limited *	Intermediate holding company	100%
Willmott Dixon Homes Limited	Development of new homes for sale	100%
Willmott Dixon Investments Limited	Public private partnerships	100%
Willmott Dixon Developments Limited	Property development	100%
Willmott Dixon Properties Limited	Property development	100%
Willmott Dixon Support Services Limited *	Intermediate holding company	100%
Willmott Dixon Partnerships Limited	Maintenance and stock reinvestment	100%
Willmott Dixon Re-Thinking Limited	Consultancy services	100%

Companies marked with an asterisk are directly held by Willmott Dixon Holdings Limited.

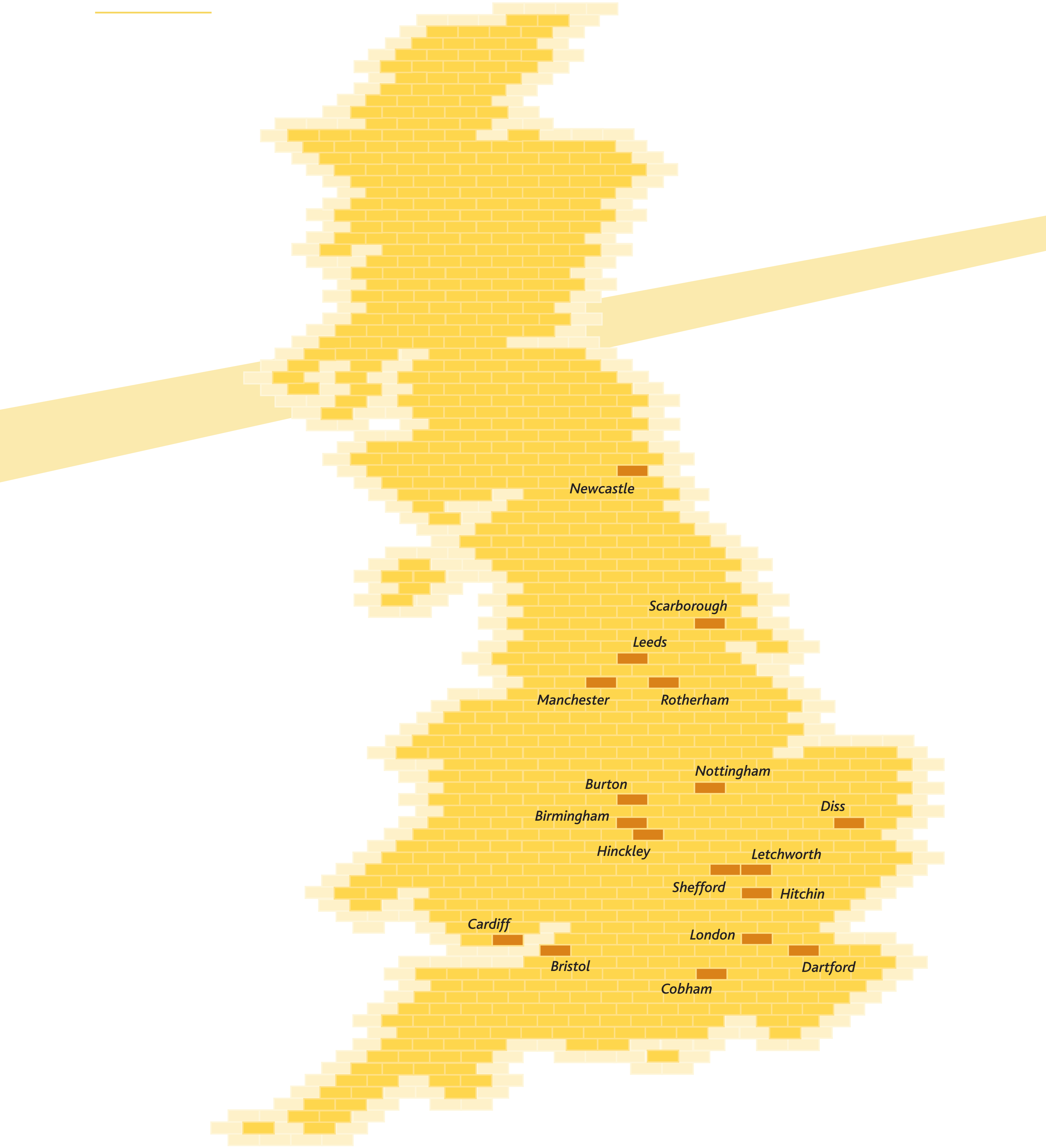
27 Principal Subsidiaries and Joint Ventures (cont)

Joint Ventures

Name	Main Activity	% Holding
Brenley Park LLP	Development of new homes for sale	50%
Woking Gateway LLP	Property development	50%
KLA Twickenham Road LLP *	Development of new homes for sale	50%
Dee Park Partnership LLP *	Development of new homes for sale	50%

Those marked with an asterisk have a financial year end of 31 March.

Locations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2010

WILLMOTT DIXON
HOLDINGS

Registered office:

Spirella 2, Icknield Way
Letchworth Garden City
Hertfordshire SG6 4GY

Telephone: 01462 671852
Fax: 01462 681852
www.willmottdixon.co.uk

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