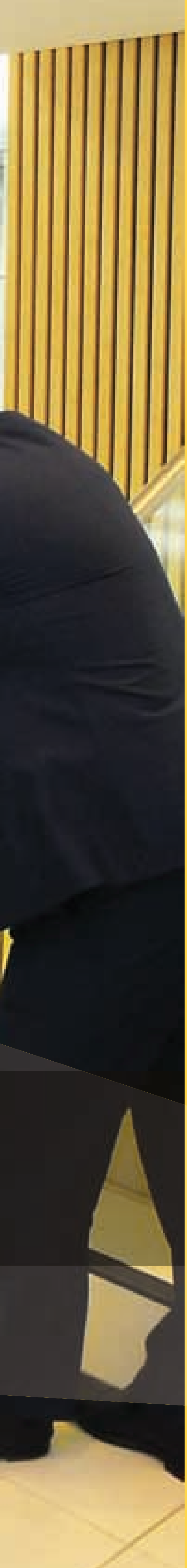
WILLMOTT DIXON ANNUAL REPORT & ACCOUNTS 2012

Transforming

Communities

The fit-out by Interiors of a new eight storey building for the London School of Economics illustrates the larger projects it is now undertaking

Transforming Places to Learn



WILLMOTT DIXON

SINCE 1852

WILLMOTT DIXON ANNUAL REPORT & ACCOUNTS 2012

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WILLMOTT DIXON HOLDINGS LIMITED

Directors and Officers

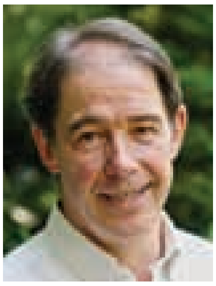
Colin Enticknap
FRICS, FCIOB
Group Chairman

Rick Willmott
MCIOB
Group Chief Executive

Chris Durkin
MCIOB
Executive Director

John Frankiewicz
FRICS, FCIOB
Executive Director

Andrew Telfer
ACA, BSc (Eng)
Executive Director



Jonathon Porritt
Non-Executive Director

Christopher Sheridan
FCIB, MSI
Non-Executive Director

Chief Finance Officer
Duncan Canney, BSc (Hons), CEng, FCA

Joint Secretaries
Wendy McWilliams, LLB, ACIS
Robert Eyre, ACIS
Laurence Holdcroft, FCIS

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

	2012 £000	2011 £000
Group turnover	1,033,997	1,052,137
Operating profit excluding amortisation*	18,905	23,483
Operating profit*	14,515	20,036
Profit before tax excluding amortisation	20,068	24,595
Profit before tax	15,678	21,148
Net current assets	84,238	86,537
Equity shareholders' funds	147,325	144,703

*Includes share of joint ventures and associates' operating profit

GROUP CHAIRMAN'S STATEMENT

Overview

2012 was a challenging year, perhaps the toughest we will face through the current economic cycle, and parts of the business were severely stretched. With that in mind, I take some comfort from being able to report that we still managed to deliver reasonable results, to maintain robust forward order books, and to progress our diversification strategy by further expanding our housing development activity.

The Capital Works division remains the heart of Group operations, and for the moment continues to contribute the vast majority of Group profit. Here, Willmott Dixon Construction (Construction) has continued to outperform many of its peers with volumes holding up reasonably well. It remains heavily dependent on public sector frameworks which have continued to offer surprising resilience, particularly in relation to educational schemes, although the early re-procurement of the Scape national framework during Q1:2013 promises to be an important milestone in terms of our pipeline of work. If we succeed in our current endeavour to be re-appointed under Scape for a third time, Construction should be well placed to secure a solid platform of work – albeit at very competitive prices – through to 2015; if not, whilst we now have reasonable visibility through 2013, we will need to work hard to backfill the resulting shortfall for 2014 and beyond.

Willmott Dixon Housing (Housing) now has a much stronger pipeline of work than it had twelve months ago, justifying our continued commitment towards a sector that has suffered quite badly over the past two or three years. Affordable housing volumes had stalled through reduced investment; both directly through government subsidy and indirectly through cross subsidy from private development, but political rhetoric does now seem to be translating into activity on the ground. This shift, alongside our growing presence in the retirement and supported living sector, greater confidence amongst 'housing for sale' developers, and major 'self-generated' developments also starting to flow through from Willmott Dixon Regen (Regen), means Housing is becoming better placed than Construction to pursue medium term growth. Before doing so, the team will need to complete a handful of difficult projects secured whilst the market was at its most

Colin Enticknap, FRICS, FCIOB
Group Chairman

competitive, but those are now almost behind us and the lessons learnt will hold us in good stead for the future.

Willmott Dixon Interiors (Interiors) remains a modest but under-exploited part of the Capital Works division. Having strengthened the management team during the second half of 2012, we now have a simpler strategy and are pursuing a narrower market, an important part of which revolves around securing frameworks for national roll-out programmes. Recent successes with Barclays, Tesco and Travelodge have given us early encouragement, but there is more to be done in order to build a stronger and more visible pipeline of work.

The new polyclinic in Stratford is a striking new feature to an area that's undergone major transformation

Transforming

Healthcare

GROUP CHAIRMAN'S STATEMENT

Overview (continued)

An even bigger priority has been to expand our Regen division to become a major developer of both high quality housing for sale and also for private rent. Our motive has been to build a substantial business capable of providing a significant contribution to Group profits, better exploiting our cash reserves and capturing operational synergy with Capital Works. Whilst progress has been slower than we would have liked, mainly through protracted land deals and planning negotiations, but also partly through the need to exercise sensible caution, Regen has now started to gain proper traction. Additional housing for sale developments have been secured at Greenwich and Tower Hamlets to supplement those already on site at Reading and Brenley Park, Mitcham; we expect two further sites in Westminster to soon follow suit, and a prime site in Wimbledon is now entering the planning phase. Where marketing campaigns have been launched, sales rates have generally been ahead of plan, supported where necessary by government shared equity schemes.

Similarly, our 'private rent' product moved on considerably during the year and has now evolved into the 'be:here' brand. The legal and financial structure of the product is not simple, so closing our first deal will be crucial to gain credibility and demonstrate scalability. Two blocks on the new development at Tower Hamlets have being designed specifically for

The 80,000 square foot Tesco at Woolwich Central opened in time for the Christmas trading season, with 260 homes to follow in 2013

this purpose, and if negotiations with our partners continue as expected, we should overcome this next hurdle very soon.

With confidence now returning to the housing market, and both the Government and Opposition keen to see the building of new homes to help fuel economic growth, Regen should be well positioned to capitalise on the expected upturn. The constraint on growth will undoubtedly be our ability to source good sites at realistic prices, so significant resource is being deployed in this direction.

For a variety of reasons, albeit not through any lack of effort by the team involved, it is our Support Services division that has made least progress over the last twelve months. Willmott Dixon Partnerships (Partnerships) has been preoccupied with mobilising and delivering 'turnaround performance' on a number of new housing maintenance contracts, a few of which have proved to be more challenging than expected, occupying disproportionate resource and management time. Sensibly, the business is now 'catching its breath' until that process is complete.

Willmott Dixon Energy Services (Energy Services) is in the opposite position; it has made excellent progress assembling the expertise and infrastructure required to undertake 'low energy retro-fit' services to both domestic and public buildings, and whilst it continues to build experience through a steady stream of new commissions, it is positioned to expand rapidly once this potentially enormous new market starts to mature.

GROUP CHAIRMAN'S STATEMENT

Financial Results

As predicted in my Interim Statement, improved financial performance in the second half year helped lift full year figures to a more satisfactory level.

Group turnover after adjustment for joint ventures continued to remain steady at £1,034.0 million (2011: £1,052.1 million). In line with expectations, operating margins grew during the second half of the year, although the improvement was insufficient to compensate fully for the shortfall reported for the first six months. As a result, pre-tax profit for the full year before amortisation of goodwill fell by 18% to £20.1 million (2011: £24.6 million). This represented 1.9% of Group turnover, a shade below our target minimum of 2.0%.

After amortisation, pre-tax profit was £15.7 million (2011: £21.1 million); profit after tax was less affected at £11.1 million (2011: £14.3 million), supported in part by a further reduction in the rate of corporation tax.

Once again, we saw our Consolidated Balance Sheet strengthen, with equity shareholders' funds growing to £147.3 million (2011: £144.7 million) and, despite investing a further £8.9 million in Regen's joint ventures, cash and bank balances grew to £68.0 million (2011: £66.7 million).

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

Shenley retirement village in Milton Keynes is the latest in a growing workload for the care and assisted living sector

Transforming Places to Retire

GROUP CHAIRMAN'S STATEMENT

Future Prospects

We have said for some time that we are seeking to build 'strength through breadth' across our growing portfolio of businesses. We should now begin to see the benefit of that strategy; Construction has proved very resilient through the downturn, but may see volumes fall if we do not re-secure the Scape framework; Housing and Regen, on the other hand, are now seeing market conditions turn in their favour; Partnerships may be facing a period of consolidation, but Interiors and Energy Services have capacity for growth.

In overall terms, whilst there is no doubt that 2013 will prove to be another very tough year, we remain confident that we have the right structure, strategy and skills to face the challenges and capitalise on the opportunities that may come our way.

I am, as ever, immensely grateful to my board colleagues for their significant contributions – to Rick Willmott for his

The new Holiday Inn at Southend Airport is part of the airport's ambitious expansion plans by operators The Stobart Group

balanced leadership, unflappable nature and sound judgement; to Chris Durkin, John Frankiewicz and Andrew Telfer for their continued drive, determination and resilience; and to Jonathon Porritt and Christopher Sheridan for their reliable, objective and frank support.

But most of all I would like to thank our company managing directors, functional heads and their superb teams for their unstinting commitment, professionalism and hard work. As always, it is those at the 'sharp end' of our business who really make the difference.

Colin Enticknap
Group Chairman

GROUP CHIEF EXECUTIVE'S REPORT

Built to Last

In last year's report I reflected on the key features required of a resilient business, of the risks posed by a troubled market and of the actions we planned to take to mitigate the impact of an economy on 'life support'. Those risks have not materially changed but I hope that this report will demonstrate the progress we continue to make in managing a substantial organisation in a dire market, whilst retaining the cultural and ethical attributes upon which we pride ourselves.

In 2012 we added 'Since 1852' to our branding. We did so in the belief that whilst we know the strength, resilience, durability and vitality of our company we should take every opportunity to emphasise this message to our markets. There is no private company in the UK, operating across our sectors, which can differentiate itself on the basis of such longevity and such scale. Sufficient volume of the right quality workload is the life blood of the company and we have worked hard, particularly over the last three years, to maintain a constant flow supporting our scale and also our readiness and capability to grow again when the economy becomes both predictable and sustainable.

The major contractors in the UK have witnessed a notable collapse in new orders available in the market. When scrutinised, publicly held industry data recording the annual workload won by the 50 largest construction, housing and repairs and maintenance companies in the UK would suggest the following:

- In terms of new orders, their market peaked in spring 2010 at £35 billion
- By spring 2011, volumes had fallen by almost 32% to under £24 billion
- By spring 2012, volumes had fallen a further 29% to a total of just over £17 billion, less than 50% of peak market: a statistic shareholders will not have heard previously and one certainly not publicised by the Government's data reporting agencies
- Spring 2013 suggests a slight recovery of workload available to just over £22 billion, still some 37% below peak market

Of course we have not been immune to this huge contraction in our markets. Our teams have had to work incredibly hard to attempt to

Rick Willmott, MCIOB
Group Chief Executive

'hold station', to be more competitive and most importantly to continue to generate a positive margin contribution, whilst at the same time staying true to company culture by maintaining high levels of customer satisfaction in a more aggressive trading environment.

No mean feat, however for comparison, our annual order volumes reported from the same source data and at the same reference points were:

- spring 2010: £912 million
- spring 2011: £999 million
- spring 2012: £925 million
- spring 2013: £917 million

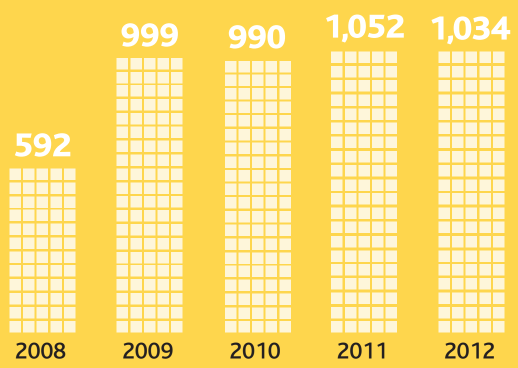
This demonstrates workload resilience and stability. Had our company 'flexed' with the market and followed the trend, we would have become a sub £600 million turnover group in 2013.

These statistics would suggest that the Group has good inherent resilience and has continued to perform, albeit fractionally below our target minimum profit level, through careful consideration of our markets and continued focus upon our customers. With an evolving strategy and a little good fortune here and there, we have managed to preserve our core shape and strength whilst progressively building diversity in all that we do.

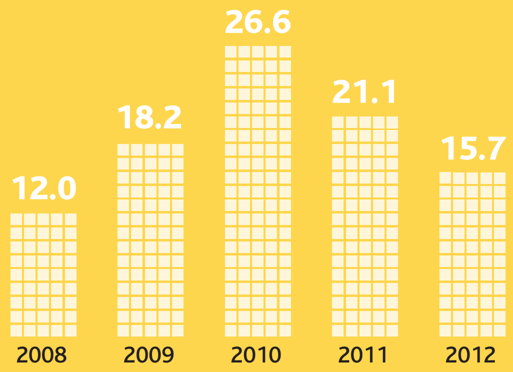
The Holdings board remains strategic, operationally aware and hands-on. We strive for early recognition of threats and rapid intervention to mitigate them. We continue to 'tighten belts', to reinforce with our employees the concepts of complacency avoidance, maintenance of high standards, attention to detail and true loyalty.

It seems our work and progress has not gone unnoticed in this tough market. I was delighted that we were once again named Building magazine's Major Contractor of the Year at its annual awards in April, the second time we have secured this prestigious accolade in three years. What particularly pleased me was that it was the combined efforts of all our divisions that led to this important recognition for our company.

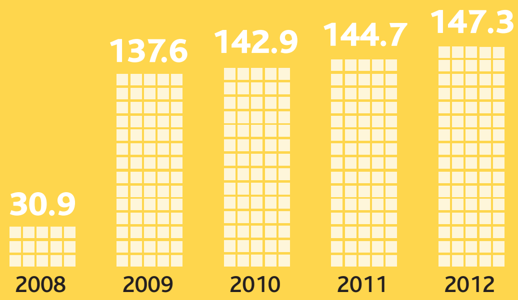
Whilst Colin's report has touched on our financial performance the balance of my report will, I hope, create a clear account of our operational and tactical performance last year and provide an insight to our thinking for the future.



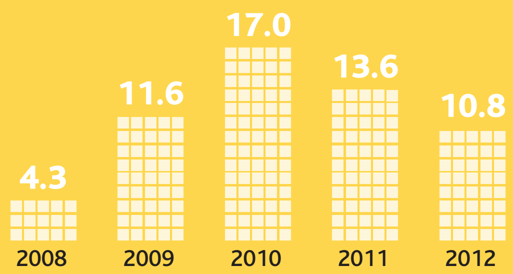
Turnover (£millions) for the Group during the past five years



Profit before tax (£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

GROUP CHIEF EXECUTIVE'S REPORT

Capital Works Division

John Frankiewicz, FRICS, FCIOB
Divisional CEO, Willmott Dixon Capital Works

Our Capital Works division continues to be the core of the Group in terms of absolute scale. Turnover fell fractionally to £903 million over the year (2011: £966 million), which includes our Woolwich Central project delivered by a central Capital Works team. This represents an exceptional achievement given the stark reality of our markets.

I have been brilliantly supported by John Frankiewicz in his role as Divisional CEO and as Group Director responsible for health and safety. John and his teams deserve much credit for the tenacity they have shown in delivering another creditable divisional performance.

I am delighted that John recognised early in the year that the division would be better placed to thrive by introducing key additional senior management to support him. The role of Chief Operating Officer (COO) has been created, initially at Housing and at Interiors.

Charlie Scherer has taken the COO role at Housing and Mike Hart the COO role at Interiors. Both appointments bring superb leadership, expert knowledge and substantial experience to these specialist areas of our business and at the same time afforded John the opportunity to focus the bulk of his efforts on maintaining performance at Construction, whilst coordinating the resolution of a number of other key divisional matters.

The division's markets are becoming increasingly polarised, creating divergent opportunities and threats which require flexibility, rigour and 'hands-on' management to guide successful outcomes.

I will provide comment on each of the three Capital Works companies in my report.

Hale Village in Tottenham is just one estate we have revitalised with quality new housing, in this case with Newlon Housing

Transforming Places to Live

GROUP CHIEF EXECUTIVE'S REPORT

Willmott Dixon Construction

2012 Turnover of £641 million (2011: £682 million)

Construction is an exceptional company, operating effectively in a highly competitive sector of the market and certainly harnessing an impressive share of the opportunities which remain available to it. However, the trend of projects that it is pursuing suggests an on-going reduction in average contract value.

This has been partly driven by customers scaling back their capital programmes, but it is also a reflection of the efficiencies that a constricted market has produced – resulting in tighter supply chain pricing, reduced contingencies for normal project complications, reduced margin aspirations, faster build periods, a reduction in the quality of specifications and compromised space standards. All factors effectively driving down price, which many commentators will inevitably see as positive.

But it also reflects a change in the make-up of our markets. At a practical level it means a very crowded and competitive market with major contractors and smaller regional players pitching for the same opportunities.

Waterhead Academy is one of three new academies Willmott Dixon has delivered in Oldham

So against this backcloth it has been gratifying to see some exceptional performances, such as the superb delivery of the retail element of the £85 million Tesco superstore in Woolwich, opening on time and trading well ahead of Christmas 2012, as promised.

The establishment of a strong working relationship with Stanhope, who remain one of the pre-eminent London based developers, has been a 'breakthrough' as we work to complete two complex refurbishment contracts to bring outdated, inefficient commercial space in line with the low carbon use expected of this decade.

We have demonstrated the depth and ability of our project teams as they have tackled technically demanding projects, involving listed façade retention at Giltspur Street in Farringdon for City & Guilds and major temporary works structures supporting and working round a 'live' East Coast mainline rail track at the complex Newcastle Police Head Quarters.

In a similar vein, our selection by the World Wildlife Fund to build their headquarters in Woking reflects well on our efforts to demonstrate leading edge knowledge and capability in sustainable construction techniques, underpinned by a Group commitment to the achievement of carbon neutrality.

GROUP CHIEF EXECUTIVE'S REPORT

Our project to build a new head office for Newcastle City Police is adjacent to the busy East Coast mainline

Willmott Dixon Construction (continued)

Our performance on a number of public sector frameworks has been impressive and has given Construction the opportunity to maintain its scale and momentum, albeit with a growing dependency on these forms of procurement. Construction has for some years been heavily reliant on framework volumes; that focus has been rewarded and there remains surprisingly resilient opportunity here.

Group Chairman Colin Enticknap has already mentioned the importance, in particular, of the re-procurement of the Scape framework which, at the time of writing, remains undecided.

Despite its reliance on frameworks, Construction has many avenues of opportunity to build volume. A sustained track record of delivery of educational facilities keeps our teams around the country fully committed to this particular sector of the market, with outstanding performances at Birmingham University and Cambridge University, the award of 18 Free Schools, the successful delivery of three substantial Academies for Oldham Borough Council and a growing proliferation of orders for our Sunesis standardised school product, offering fast track 'more for less' solutions.

John Frankiewicz has, in turn, received some superb support from his local Managing Directors – Anthony Dillon, Peter Owen, Neal Stephens, Chris Tredget and John Waterman – who have worked incredibly hard to maintain the viability of each region and who all now have good visibility of future workload, significant client commitment to pre-construction appointments, and aspirations for fuller order books by the end of 2013.

The MDs and their procurement teams have been, and remain, intensely focused on substantiating the integrity of our pricing, and of our bids in general – refining designs, mitigating risk and aligning supply chains – prior to entering contract. With such little margin for error they remain vigilant at all times.

Their task in the year ahead remains undiminished. As our customers demand more for less, Construction has to deliver.


Transforming
Workplaces

GROUP CHIEF EXECUTIVE'S REPORT

Willmott Dixon Housing

2012 turnover of £171 million (2011: £232 million)

In my report last year I was confident that there would be no growth in Housing in 2012. That negative confidence was founded on the realities of an underfunded, directionless affordable housing sector perhaps best described as an omnishambles. We determined to use 2012 'as a period to reinforce our expertise and refine our structures to ensure that we were well placed to exploit the first signs of an improving market'.

Looking back, these intentions have generally been delivered during the course of the year. With Charlie Scherer re-joining the business as COO of Housing we have an experienced, prudent housing professional leading the company, who is already bringing clear specialist knowledge and commercial acumen. He has worked hard to shape and strengthen his regional teams at a senior level and draws upon the determined support he receives from Tim Carpenter and David Issott.

This added momentum has been well judged as the 'bottleneck' and inertia in some of our residential markets has begun to ease. We have seen long-delayed affordable projects finally reaching site, a noticeable pick up in opportunities in the supported living sector and the much heralded return of the private house builder to the market with projects and opportunities 'a plenty', albeit most being technically demanding and highly competitive.

I have already mentioned the polarisation in the Capital Works markets. In contrast to Construction, the average project value in Housing is rising steeply, creating a more efficient business model and projected year on year growth potential of 20%.

Housing has been challenged to create a better balance of workload between the

The Mill Apartments for Taylor Wimpey, high quality housing in West Hampstead that is part of Willmott Dixon's growing workload for private developers

public and private sectors and there is much effort being made to target strategically the affordable, care, housing for sale and student accommodation markets. This will result in a far better balance in 2013, with around 60% of workload being public sector and the balance split between external private developers and 'self-generated' Willmott Dixon Regen developments, of which there will be more comment later.

Key project successes have been the completion of a superb development for Taylor Wimpey in West Hampstead, securing a significant project at the award winning Greenwich Millennium Village, a £40 million care home in Ascot, two further internal awards of contracts with Regen in east London and in Greenwich and a portfolio of care schemes with Housing 21 in Warwickshire. Significant framework successes are evidenced by Housing's inclusion on all four of the Housing and Communities Agency's regional frameworks, giving access to £4 billion of housing development over the next four years.

Housing has continued to operate at the forefront of sustainable development, completing the Code Six Greenway development for Catalyst Housing Group, and will shortly conclude the delivery of the UK's largest residential Passivhaus designed project of 53 apartments for Camden Council in north London.

But 2012 was far from 'plain sailing' for Housing. Operational teams have battled to contain and deliver a clutch of projects secured at the worst time in the market. The legacy of those projects has been a heavy draw on both people resources and margins in 2012. With some relief I can confirm that those projects with their people and financial impacts will shortly be behind us, and their effects well contained within both company and Group results.

Our learning from these projects, a strengthened senior management team and a growing recognition of the Housing specialism are all features that should hold us in good stead for the current year and the future.

GROUP CHIEF EXECUTIVE'S REPORT

Willmott Dixon Interiors

2012 turnover of £46 million (2011: £42 million)

2012 was an important year for Interiors, our fit out company. Colin has already referred to Interiors as an 'under-exploited' part of Capital Works; it has been for some time, but that is now changing.

We have taken a number of steps to address that reference, recognising that this specialist sector of the market has proved to generate better margins for the best set-up competitors over a number of years.

We have sought to simplify our offer by pursuing a more narrowly defined area of the market, to focus on repeat business customers and to establish a stronger, more complementary senior team.

Mike Hart as COO of Interiors has led this transformation, creating a strong board at company level with unquestionable commercial credentials and a pipeline of workload opportunities which is beginning to drive greater confidence in our ability to deliver predictable growth and, in time, enhanced margins.

An important strand of this is Interiors' ability to support national 'roll-out' programmes for a number of repeat business customers including Barclays, Tesco and Travelodge and to continue to secure and deliver larger individual projects for uniquely important customers, such as the London School of Economics.

We anticipate an increased relationship with a number of high street brands, a growing presence in hotel, commercial office and banking sectors. But we also recognise the fit-out opportunities presented in the public sector where a number of our Capital Works frameworks can provide a conduit to such opportunity and a chance to support other existing customers with a complementary service offering.

2012 saw marginal growth in scale. 2013 and beyond are forecast to do better still with corresponding improvement in margin.

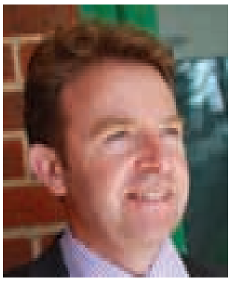
This is an exciting phase for Interiors and I have personal confidence in Mike's ambition to transform the company's performance.

Interiors has been giving Travelodge a bright new look as part of the brand refresh roll-out programme

Transforming Interiors

GROUP CHIEF EXECUTIVE'S REPORT

Willmott Dixon Regen



Andrew Telfer
ACA, BSc (Eng)
Divisional CEO,
Willmott Dixon Regen

Our newest division presents a growing pipeline of residential development opportunity capable of materially changing the margin profile of the Group.

We have spent the last three years building a superb team of professional developers under Andrew Telfer, as Divisional CEO, whilst creating two bespoke business models with the ambition of becoming a top ten residential developer by 2016 with two complementary delivery streams positioning our homes in the market place.

In my report last year I described the increasingly important role that Regen would play in the future of our Company. This will manifest itself in a number of key ways, by:

- Generating a far greater return on the cash reserves within the Group
- Producing scheme profits comparable with the very best residential developers
- Creating profitable workload for our Capital Works division, perhaps representing up to 20% of annual Housing turnover
- Forging stronger business relationships with existing public and private sector customers through a joint approach to development

Regen is one of our major priorities in the coming few years. Having spent time introducing proven capability, process and risk control, the challenge is now to dramatically expand product delivery by securing a legal position on a number of targeted sites and working through planning efficiently.

Brenley Park in Mitcham, Surrey, was a popular Regen development that saw all 72 units quickly snapped up. It is due to complete in April

Brian Brady is the Managing Director of our Residential development company producing new homes for sale. We currently have four developments on site, each at a very different stage of the development process.

- At Brenley Park in Merton, south London, the sales team have just sold the final home at the development which has been a 'text book' scheme from the outset. It was developed in joint venture with Notting Hill Housing Trust and represents the final output from the London Wide Initiative introduced in the final phase of the last Government.

- At Dee Park Reading, a major multi-phase regeneration project in joint venture with Catalyst Housing Group and Reading Borough Council, we saw some slow-down in sales rates towards the end of 2012 but the seasonal spring upturn, combined with a number of government backed shared equity products, have assisted in getting reservation rates back on track with carried momentum. As a result, the board has recently authorised the commencement of the next phase.

- At Prime Place in Greenwich we are delivering a 183 unit, 11 storey residential development in joint venture with Hyde Housing Group. Currently in the build phase with Housing, the first 12 apartments have already been sold to overseas purchasers and should be ready for occupation by the end of 2013. Prime Place has a gross development value of circa £58 million.

- At the Aberfeldy Estate in Tower Hamlets the first phase of a 12 year £250 million regeneration scheme has recently commenced, with the first 150 units now being constructed by Housing following a complicated and protracted planning process. Our joint venture partner is Poplar HARCA housing association and the potential for a very successful long term involvement is our clearly stated aspiration.

GROUP CHIEF EXECUTIVE'S REPORT

Willmott Dixon Regen (continued)

There are numerous new site proposals being considered by the board on a monthly basis and a real expectation that headline sales numbers will continue to increase in line with our strategic plans.

Matthew Pullen is the Managing Director responsible for Regen's other business stream, focused on the creation of our 'private rent' product. Over the course of 2012, after researching the more mature private rented sector in the US, we have established a bespoke new brand in 'be:here'.

Our model – which includes all the phases of site assembly, funding, construction, operating and franchising – responds to the review by Sir Adrian Montague of the private rented market commissioned by the Government, which made a strong case for the introduction to the mainstream market of purpose built, professionally operated private rented homes.

Importantly, there has been a growing shift in interest being displayed by institutional investors who are now confident, provided the legal and financial structures are well considered, in the concept of deriving high quality investment yields for the first time from this sector in the UK.

The Regen scheme at Aberfeldy is intended to be the first of our private rent sites to be rolled out, and we anticipate the final negotiations to be concluded shortly. Alongside Aberfeldy there are a number of other target sites in London, Birmingham and Manchester which are currently being appraised for suitability.

If we achieve the targets contained in our long term plans, we will find that Regen will contribute up to 40% of Group profit by 2016.

Andrew Telfer and his team are committed, energised and incentivised to make that happen.

Willmott Dixon Support Services

Chris Durkin, MCIOB
Divisional CEO,
Willmott Dixon
Support Services

2012 turnover of £110 million (2011: £83 million)

As predicted last year, Support Services, under the leadership of Chris Durkin, Divisional CEO grew in scale in 2012, both as a result of securing some substantial new contracts but also because of the traction being gained through diversification into the 'retrofit' market.

As in previous years, the majority of Support Services' workload is delivered by Partnerships through long term maintenance contracts – generally for public sector entities responsible for major tracts of affordable, rented accommodation. And with Support Services, strategic diversification has come through the growing presence of our Energy Services Company.

Birmingham City Council leader Sir Albert Bore applauded Partnerships for 'investing in growth' with the new 4Life Academy

Transforming

Career Opportunities

GROUP CHIEF EXECUTIVE'S REPORT

Partnerships' new apprentices for 2012

Willmott Dixon Partnerships

It has been a more challenging year for the Partnerships team under Managing Director Mick Williamson. Having secured six new contract awards worth around £300 million of turnover over their duration, the senior team have been pre-occupied with the process of mobilising this new work during 2012. An additional workforce of 400 has been required to deliver these contracts, which illustrates the stretch being felt by our management teams around the country. With many of these inherited people and their embedded processes requiring substantial re-engineering, geographical spread widening and contract terms and targets hardening, there is still much work to be done in order to achieve the turnaround performance we seek, and are indeed already delivering across the rest of the 170,000 homes we repair and maintain.

In the mature branches, where we have had time to optimise performance, we continue to foster strong customer relationships and, just as importantly, strong community ties. A prime example of this has been Partnerships' creation of the Willmott Dixon 4Life skills academy at Electric Avenue in Birmingham. The investment in a state-of-the-art facility to extend skills training to both our workforce, and up to 2,000 others each year has been endorsed by City & Guilds and the British Plumbing Employers Council to provide a wide range of NVQ level qualifications over the next few years, and is a very visible representation of the legacy our company is capable of leaving in support of local employment. Such an investment might not have been considered without the long term relationship with Birmingham City Council.

Helping our public sector customers respond to the challenges of the Social Value Act 2012 will be a constant theme of our work within Partnerships, and is captured succinctly in our recently published position paper *Transforming Communities*.

Brannigan Doyle is just one of our team delivering repairs for 60,000 properties owned by Birmingham City Council

Transforming Energy Standards in Property

GROUP CHIEF EXECUTIVE'S REPORT

Willmott Dixon Energy Services

Energy Services was launched to deliver an array of services around the low carbon retrofit of commercial and domestic properties in both public and private sectors.

2012 has witnessed the company continuing to assemble a high calibre senior team with some unique expertise, which is now beginning to find traction in a complex area of the market.

There are three key strands to our business offering:

- Installation of Low Energy Retrofit measures including external wall insulation, solar photo voltaic installations, heat pumps and district heating solutions
- Being a Green Deal Provider and Energy Company Obligation (ECO) partner
- Providing Post Occupancy Evaluations, demonstrating the 'performance in use' of improved buildings

We are privileged to have secured contracts with some important customers including the Greater London Authority, for whom we are undertaking property assessments and delivering energy efficiency improvement measures in North and West London.

With the Welsh Government we are engaged on a £45 million programme to improve the energy efficiency of 48,000 homes in North and Mid Wales. And with E.ON Energy Solutions we are working to install external wall insulation to homes around Nottingham.

Re-Thinking is working closely with operations director Jeremy Graham and the Housing team to ensure the UK's largest residential project built to Passivhaus standards meets the tough criteria for air tightness

As well as with E.ON, we have also generated strong relationships with the other five major utility companies in order to work with them delivering ECO upgrades to domestic properties, a market that is estimated to be worth in the order of £2 billion per annum and perhaps provides the greatest signal as to the potential scale of this untapped market.

Alongside delivering physical improvement to the efficiency of the built environment, our Technical Director David Adams has been actively involved in the development of the Government's Green Deal initiative.

Willmott Dixon Re-Thinking

I am delighted that Chris Durkin also continues to be responsible, in a Group wide capacity, for Sustainable Development (SD) and for the direction of Re-Thinking, our in-house consultancy which, amongst other areas of strategic SD support around the Group, will during the course of this year:

- Publish our new Group Sustainable Development Strategy
- Produce our 2013 Sustainable Development Review
- Launch our updated Carbon Management Plan
- Develop our new Carbon Data Capture (CDC) reporting system

GROUP CHIEF EXECUTIVE'S REPORT

Our People

Our people are of primary importance to the Group.

We continue to work hard to be a loyal, fair employer that delivers on our stated aspiration for Willmott Dixon to be the best place, across all of our industry sectors, to develop a career.

Of course, it is never straightforward, particularly in such a difficult and volatile market where there is a constant round of restructuring across many of our competitor organisations as they downsize to recognise reductions in carried workload. This is contrasted by the growing momentum in the private house building sector, where one only needs to take a glance at recent share price movements of the PLCs to become aware that demand for the best operational people is likely to spiral upwards.

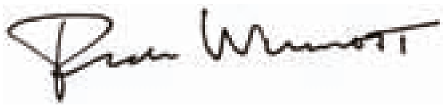
What I do know, and what many of my senior colleagues will confirm, is that often when our staff are tempted to join other organisations for promises of more money and enhanced prospects, they often subsequently seek to return to Willmott Dixon where they know they can rely on our word and our commitments.

To further recognise the dedication of our people in their determination to help the business to succeed, I will shortly launch a new incentive programme, the *Above and Beyond* awards, to reward individual endeavour in support of our Group Headline Strategy.

From a personal perspective, I am grateful to all of our people for their work last year and of course their ongoing efforts to ensure that Willmott Dixon thrives. In particular I must make special mention of our Divisional CEOs who have given so much in support of our Group, and as ever I wish to formally record my thanks for the superb tactical leadership and strategic direction that Colin Enticknap gives to me personally and to the board.

Summary

We have predicted, for some time, the impact on our markets of a UK economy that continues to falter. The next two years are a critical period but we remain confident that the changes we have made, and continue to make to the efficiency and effectiveness of the business will stand us in good stead for a positive, an exciting and yet predictable future.



Rick Willmott
Group Chief Executive

Hope Academy became another BREEAM 'outstanding' project completed by Willmott Dixon

Transforming Academies

The Greenway in Southall for Catalyst Housing was built to meet the standard of Code for Sustainable Homes level six

Transforming Communities

SUSTAINABLE DEVELOPMENT

Introduction

Our vision is to be a sector leader in sustainable development, because we believe that being sustainable makes good business sense. By undertaking our activities in a sustainable and responsible manner, we will consume less energy, waste fewer natural resources, be more efficient and competitive whilst also driving innovative approaches and reducing the impact of our operations.

We have made good progress in 2012, achieving some notable milestones despite the economic gloom and uncertainty in the regulatory landscape.

The Green Deal was finally launched in January 2013 following a four month pilot phase and marked a key milestone for our new Energy Services company. Government policy has an important influence on the market and whilst we welcomed the Green Deal and the Energy Company Obligation, we added our voice to that of the UK Green Building Council and over 100 energy companies, charities and businesses alerting the Prime Minister of the very real prospect that Britain is heading for a fuel poverty crisis as the number of people unable to afford to heat their homes grows.

At the start of 2012, we responded to the Cabinet Office's Red Tape Challenge. The resulting twelve months of uncertainty following the 'Harman Report' into house building standards and voluntary codes, and the subsequent Department of Communities and Local Government (DCLG) consultation on Part L of the Building Regulations, are due to come to an end in May and will enable us to gain clarity on how best to address the opportunities from energy efficiency improvements as an authorised Green Deal Provider.

However, the real 'elephant in the room' remains the gap between the sustainable performance targets of buildings and their energy performance when complete. Through my colleague David Adams and his work with the Zero Carbon Hub, we will be supporting a new industry-backed research project called 'Design Versus As-Built Performance Gap' funded by DCLG to examine the in-use energy performance of new homes to gauge how they perform against expectations. We will also focus on our own projects to identify gaps between the design stage and how buildings perform when built.

Finally we welcomed the introduction of the Public Services (Social Value) Act, which will enable us to demonstrate the economic, social and environmental benefits that we, as a delivery partner, can bring to our contracts.

Jonathon Porritt
Non-Executive Director

Our trainees raised nearly £30,000 for Great Ormond Street Children's Hospital in 2012, just some of the fundraising work by our staff across the business

SUSTAINABLE DEVELOPMENT

Prime Place, a residential project being built by Housing for Regen in Greenwich, is currently achieving 98.6% diversion of waste from landfill

Carbon Neutral

To demonstrate our commitment to reducing our impact on climate change, in 2008 we set ourselves the target of being carbon neutral in our operations by 2012. In order to realise this, Willmott Dixon has:

- achieved the Carbon Trust Standard which demonstrates our ongoing investment into reducing emissions,
- engaged with an independent third party to verify our energy consumption and emissions data for 2012, and
- invested in projects to offset our carbon emissions for 2012

We also set ourselves the bold and challenging target of zero waste to landfill by 2012. In the event, we achieved a diversion rate of 95% for the year; a massive improvement from the 2007 performance of 60%. Whilst we are proud of this achievement and remain committed to achieving zero waste to landfill, our key objective is now to keep reducing the construction waste generated on our projects.

The more efficient we can make the performance of our buildings, the more we can exceed our customers' needs and aspirations. The Sunesis range of designs responds directly to the 'more for less' agenda by enabling schools and leisure centres to be built with a 30% cost saving. In 2012 we opened our first Sunesis school in Rugby. Its A-rated energy performance demonstrates that it's possible to deliver high performing buildings at a price that reflects the budgetary pressures faced by our customers.

We have made some fantastic progress over the last year in our vision to contribute to society. We established the Willmott Dixon Foundation through which we made a company contribution of £1.1 milion in staff time and donations, invested in communities and good causes. On top of this we added a further £95,000 through direct fundraising. In addition, against a backdrop of increasing youth unemployment, we were proud to commit £1 million in the creation of the 4Life Academy. The Academy will help us train our workforce, and people from the wider community, in key skills to help improve their life chances. Finally, and in response to the Social Value Act, we published *Transforming Communities*, a report setting out how public authorities and Registered Providers can leverage construction and housing repair contracts to deliver additional social value to communities.

Supporting this is Re-Thinking, our internal consultancy providing knowledge and expertise to support the Group in achieving its sustainable development goals. Julia Barrett has joined us as Director, bringing additional skills and experience to support Rob Lambe, as he and David Adams focused on launching our new Energy Services company. I must also mention the excellent work of my fellow board colleague Chris Durkin, who is responsible for the Group's overall approach to sustainable development. Through Chris' leadership, Rob and the Re-Thinking team have continued to provide essential industry support, particularly working with the Department of Energy and Climate Change and DCLG officials as well as industry partners to ensure we contribute meaningfully to achieving the Government's aspirations for a low carbon economy.

Highlights

2012 Achievements

- Achieved Carbon Trust Standard for our approach to energy and carbon management
- Offset our 2012 emissions to become carbon neutral in our operations
- 95% of waste diverted from landfill

- Authorised as a Green Deal Provider
- 123gCO_2/km average company car emissions, down from 128gCO_2/km in 2011
- 16.3% decrease in accidents in the van fleet since 2009
- 15.7% reduction in accidents in the car fleet since 2009
- £57,000 paid out as a green bonus to 104 employees for choosing lower-carbon cars
- 142,000 miles claimed under our car sharing mileage reimbursement scheme
- 34 employees used our Bike for Work initiative to buy a bicycle
- 10,000 miles that would have otherwise been driven by car claimed under our bicycle mileage reimbursement scheme
- £2.3 million invested in training our employees (equivalent to £760 per employee)
- 35.5 average points out of 40 scored under the Considerate Constructors' Scheme (CCS) (against an industry average of 33.2)
- Accident frequency rate reduced by 30% in our Capital Works division and 19% in our Support Services division
- 87% of Capital Works projects that completed in 2012 had an accident frequency rate of zero
- £1.1 million donated in staff time and donations for good causes through our Willmott Dixon Foundation
- £95,000 donated to good causes through direct fundraising
- Invested £1 million in our new 4Life Academy in Birmingham
- 64 apprentices directly employed
- 97 trainees employed on our management training scheme
- 17.7% female employees (versus industry average of 13%)
- 7.2% employees from ethnic minorities (versus industry average of 5%)

Recognition

- NextGeneration – sustainability benchmark for the top 25 housebuilders – Willmott Dixon achieved fifth place
- Building Better Healthcare awards – Winner: Houghton-le-Spring Primary Care Centre for Best Innovation in Sustainability
- Constructing Excellence awards – Winner: Houghton-le-Spring Primary Care Centre for the Legacy award in Sustainability
- Retroexpo awards – Winner: North Somerset Council Town Hall in category of Public Building Retrofit of the Year
- Business in the Community Corporate Responsibility index – Gold Award
- BREEAM awards – Winner: 1st BREEAM Outstanding Health Facility – Houghton Primary Care Centre
- Winner: 1st Zero Carbon 'In Use' School (Design Stage) – Ashmount Primary School
- Sustain magazine awards – Winner: Best Construction Project – Peartree Way and Cotney Croft CfSH levels 5&6
- Energy Saving Trust Fleet Hero awards – Winner: Fleet Hero of the Year for Best Private Sector Fleet

SUSTAINABLE DEVELOPMENT

Being a considerate company that engages with communities is fundamental to the way Willmott Dixon operates

Sustainability Leadership and Strategy

Last year we extended our Group Headline Target to include our intention to be a sector leader in sustainable development. During 2012 we have worked with all our divisions to develop action plans that will contribute to our stated aims to:

- reduce our carbon footprint and decouple our business growth from carbon emissions,
- reduce our environmental impact and use of natural resources, and
- invest in communities and the wellbeing of people.

We plan to launch our new strategy internally this summer and will communicate this more widely to external stakeholders in the autumn.

Carbon and Energy Efficiency

We have been actively seeking to reduce energy consumption and emissions for a number of years, and in 2012 we became the first company in our sector to be awarded the Carbon Trust Standard. The standard recognises emissions reductions from 2009 to 2011 and our on-going commitment and investment in our carbon management programme.

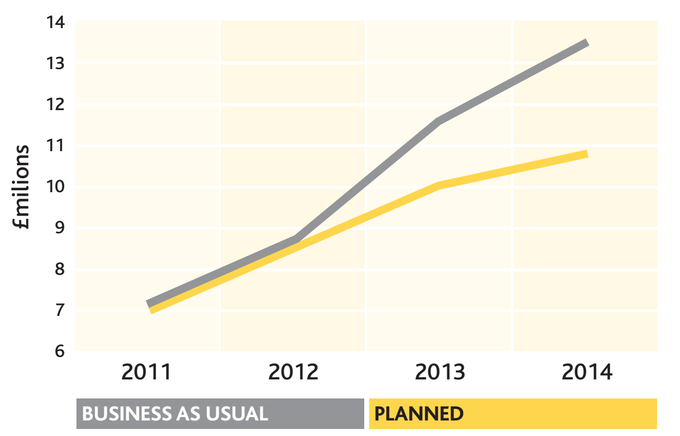
However, in 2012 our overall emissions increased by 6.5%, and emissions relative to turnover by 8.4% (see table on p52).

While this is disappointing, we remain commited to achieving our carbon management plan target of a 15% reduction in emissions per £million of turnover by 2014, against a 2010 baseline.

We will achieve this by fully implementing our Carbon Management Plan initiatives across the business. These include:

- our sustainable transport policy, strengthened in 2012 including further restrictions on vehicle selection, enhanced rewards for selecting low emissions vehicles, and promoting responsible driver behaviour;
- continuing to engage with our site accommodation provider to maximise the low-energy potential of eco-cabins specified on our sites;
- engaging with our supply chain to implement the low-carbon aims of our Sustainable Procurement Policy, launched in early 2012; and
- continuing our energy efficient office improvement programme.

Carbon management: projected energy costs



A number of new initiatives will also help us achieve our targets. These include:

- reviewing energy supply arrangements to our construction sites in order to obtain earlier grid connection and minimise use of diesel generators;
- driver behaviour monitoring, reporting and training to reduce further transport emissions;
- virtual meeting software trial, to consider for roll out across the company;
- a Carbon Data Capture system, to ensure comprehensive reporting and improved visibility of performance at all levels of the business.

SUSTAINABLE DEVELOPMENT

Carbon management achievements 2012

- 123gCO_2/km average company car emissions, down from 128gCO_2/km in 2011
- 34 employees used our Bike for Work initiative to buy a bicycle, with 10,000 miles travelled that would otherwise have been driven by car
- 142,000 miles claimed under our car sharing mileage reimbursement scheme
- £57,000 paid out as a green bonus to 104 employees for choosing lower-carbon cars

A Carbon Neutral Business

The overriding aim of our Carbon Management Plan is to reduce the energy use and carbon emissions of our operations. However, it will not be possible to eliminate all of these in the foreseeable future. We are committed to being a carbon neutral business mitigating the impact of our emissions as far as possible. So we have invested in sustainable projects to offset our 2012 emissions.

These projects have been selected because they reflect our values, what we do as a business and to align with the Willmott Dixon Foundation's aims of helping to tackle social exclusion and anti-social behaviour. All of these projects have undergone rigorous investigation to certify that they achieve real, measurable and permanent emissions reductions:

- A fuel switch project for two building products factories in Brazil, which has enabled the factories to use renewable biomass fuels sourced from locally managed forests, in place of fossil fuels and non-renewable native firewood. The project is also providing employees and the surrounding communities with improved access to training and education.

- A geothermal power project in Indonesia, where clean, renewable energy is harnessed to displace fossil fuel power generation. The project has a comprehensive social programme, funding various economic and social development projects, including supporting basic and advanced education for local school children and providing bursaries and scholarships for students.

- A LifeStraw project in Kenya, providing safe drinking water to 4.5 million people. The project improves public health and reduces water borne diseases, as well as removing carbon emissions resulting from boiling water. The project is delivering multiple outcomes, including improved health, economic empowerment and increased opportunities for education. The impacts are particularly felt by women and children, who are less exposed to indoor air pollution and spend less time collecting firewood, with the children being able to devote time to education.

PAS 2060 guidelines have enabled us to declare achievement of carbon neutrality for 2012, our first qualifying period.

For further information on our carbon reduction programme, the offset projects in which we are investing and how we achieved carbon neutrality, please visit the sustainability pages on our Group website.

Contributing to a power project in Indonesia to ensure clean, renewable energy is harnessed to displace fossil fuel power generation

Helping to provide safe drinking water to 4.5 million people in Kenya by supporting a LifeStraw project

Supporting a fuel switch project that enables two factories to use renewable biomass fuels sourced from locally managed forests

Smarter Use of Natural Resources

Environmental management

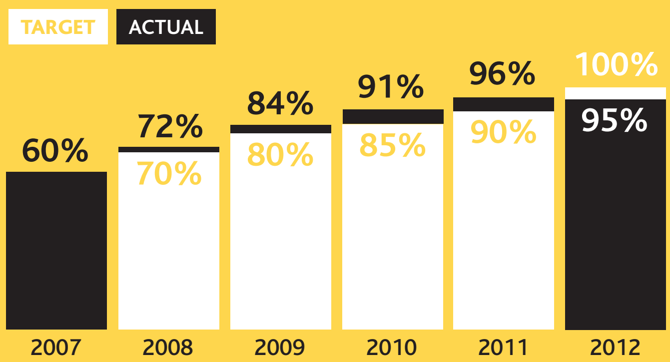
The weather patterns of 2012 further sharpened the focus on both environmental risk management and realising opportunities for efficiency. Drought followed by heavy rainfall meant that surface water runoff needed active management to avoid flooding. When possible we used the water that we collected to avoid potable demand on sites. On one project we used the rainwater that we had collected for the structural commissioning of a swimming pool. Risk management has been reinforced across our projects, with an enhanced quantified risk mechanism for screening environmental issues and mitigating risk from the tender stage right through to site delivery.

Resource efficiency and waste management

The procurement of goods, materials, works and services inevitably leads to the creation of waste; both in the installation process and in the removal of existing materials.

In 2012 we diverted 95% of waste generated on our construction sites from landfill. We still have a long term aspiration to divert 100% of our waste from landfill and have plans in place to target the remaining landfilled waste. Our first priority is to reduce the remaining construction waste we send to landfill by 15% by the end of 2015.

Diversion of waste from landfill



During 2012 a number of projects exceeded 98% diversion from landfill, including:

The Skinners' Kent Academy
99.3%

Central Transport Unit, Cardiff
99.3%

Old Moat Community Primary School, Manchester
99.0%

Prime Place, Greenwich
98.6%

Carlton Digby School, Nottingham
98.3%

Crouch Hill Community Park, North London
98.1%

The key to achieving our resource efficiency goals is reducing the amount of waste that we create in the first place, and then understanding which waste streams are still being sent to landfill, so that we can eliminate them or find ways to reuse, recycle or recover the materials. Last year we:

- worked with product manufacturers to develop take-back schemes for surplus and waste materials
- used social enterprises for the recycling of materials
- re-used excavation material rather than importing new
- continued staff training and awareness-raising

Smarter Use of Natural Resources (continued)

Manufacturer takeback schemes

Insulation material comprised 8% of the construction waste that we were sending to landfill.

Engaging with Kingspan Insulation, we trialled a takeback scheme to enable the return of insulation material for recycling. The takeback scheme cost was the same as removal from site by a traditional waste management company.

Following the successful trial, the takeback scheme is now available on all Willmott Dixon projects. We are also continuing to engage with a number of other material manufacturers and suppliers to develop new takeback schemes and improve the management of their waste materials.

In 2012 we engaged extensively with the Waste and Resource Action Programme (WRAP) to support development of their Resource Management Plan, to be launched in 2013. We also worked with WRAP and industry organisations to develop a number of Resource Efficiency Action Plans (REAPs) for specific materials.

Reducing water use

We have continued to reduce water consumption related to our activities, and in 2012 our water consumption per £100,000 of turnover fell 4% from $10.0m^3$ to $9.6m^3$.

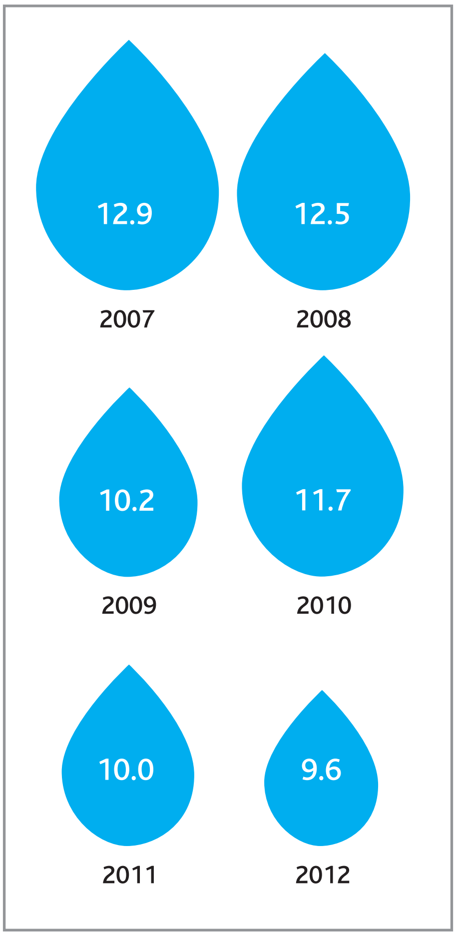


Image of Ashmount Primary School, Crouch Hill; UK's first zero carbon 'in use' school

Sustainable procurement

Our Sustainable Procurement Policy was refreshed in July 2012 and is being implemented and embedded by working groups within Capital Works and Support Services. In addition, it is being supported by the delivery of Sustainable Procurement and Responsible Sourcing training. The revised policy includes clear aims and objectives governing our procurement of goods, materials, works and services. It also shows how they should strike a balance between social, economic and environmental factors. It covers responsible sourcing, embodied impacts, recycled content, global warming potential, volatile organic compounds, paper, timber, PVC and energy supply.

Increasing the sustainability of our supply chain

Eleven Supply Chain Sustainability Schools were delivered nationally in conjunction with Action Sustainability and other partner organisations. 2,258 supply chain members have signed up from nearly 1,322 separate organisations. As at the end of 2012, 591 of those companies registered currently work with us.

Sustainable buildings

In 2012 we won two BREEAM awards for projects rated as "Outstanding". These are:

- The first BREEAM Outstanding health facility – Houghton Primary Care Centre in Sunderland
- The first zero carbon 'in use' school (design stage) – Ashmount Primary School, Crouch Hill, London Borough of Islington

SUSTAINABLE DEVELOPMENT

Health and Safety

2012 saw the launch of All Safe, the Group programme to promote health and safety. The programme targets three areas: All Safe at Work, All Safe on the Move and All Safe in the Community. There are four foundations and seven key pillars that uphold the All Safe culture in the business. All supply chain members are invited to sign up to an All Safe Charter to show their commitment to All Safe.

Capital Works showed a significant reduction in their Accident Frequency Rate (AFR) which was down from 0.24 to 0.17, a reduction of 10 reportable incidents from 38 to 28.
In addition, 87% of projects that completed in 2012 had a zero AFR. Support Services reported a reduction AFR from 0.97 down to 0.79 in 2012, a significant reduction.

Both of these downward trends can be attributed to the implementation of All Safe and visible leadership that communicates and engages effectively with all workers. A further key element is recognition and all team members are awarded certificates for any projects that completed with a zero AFR. In order to continue driving up health and safety standards throughout Willmott Dixon in 2012, our Group Safety Inspectors carried out 950 visits.

Investing in Our Staff

Our reputation and the quality of our work relates directly to the abilities of our people, so their ongoing training and development is essential. We continue to invest and spent £2.3m on training in 2012 – equivalent to £760 or over three days of training for every employee.

4Life Academy

Last year we committed £1m in the establishment of our academy in Birmingham that will provide training and lifelong skills to 2,000 people a year. The 4Life Academy opened in January 2013 and will be a national centre of excellence for the company as well as providing training for people and businesses in the wider community. It has been approved as a training centre for City & Guilds and the British Plumbing Employers Council (BPEC), enabling it to deliver a wide range of career-enhancing skills ranging from courses in electrical compliance and renewable technology to long-term NVQ and City & Guilds qualifications.

The 4Life Academy will equip up to 2,000 people a year with new skills, including renewable energy

Harnessing Potential

We have a diverse workforce and the proportion of women in our employment is 18% compared to the industry average of 13%. We also employ more people from ethnic minorities than the industry average – 7% compared to 5%. We continue to invest in the future, with 97 trainees in our management trainee scheme and 64 directly employed apprentices; a significant increase from 2011. In addition we continue to support our supply chain apprenticeship schemes.

SafeDriver

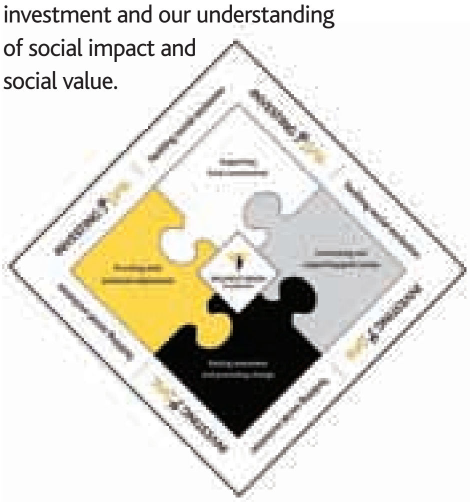
Willmott Dixon launched its SafeDriver programme in the autumn of 2010 to improve driver safety and reduce accidents. 100% of employees who may be required to drive on company business and 100% of nominated drivers (non-employees) have now completed the programme. Since the programme's introduction, we have seen a 16.3% decrease in accidents in the van fleet and a 15.7% reduction in accidents in the car fleet (2012 compared to 2009).

BITC - a positive contribution

We achieved Gold status in Business in the Community (BITC)'s Corporate Responsibility Index, showing openness and transparency through effective public reporting of our environmental and social issues, CSR programmes and performance.

Willmott Dixon Foundation

We have always carried out a significant amount of community engagement and investment, but 2012 has proved a landmark year, as it saw the launch of the Willmott Dixon Foundation. Through the Foundation we have made a company contribution of £1.13m to invest in communities and good causes, with a further £95,500 added through direct fundraising activities of our staff. The Foundation Board has established the Foundation's theme as tackling social exclusion and anti-social behaviour. Partner charities have been selected and we will be working with them to take forward the Foundation's aims, with a recording system implemented to capture all our initiatives. Work to agree a headline target will continue, as will the development of our approach to community investment and our understanding of social impact and social value.



Transforming

Energy Efficiency in Workplaces

SUSTAINABLE DEVELOPMENT

Working with Third Parties

We engage with several organisations to improve environmental standards and boost design and build quality.

The Aldersgate Group

We contribute to the board of this alliance of leaders from business, politics and society who drive action for a sustainable economy.

UK Contractors' Group (UKCG)

Rob Lambe continues to chair the UKCG's environmental working group and helps senior industry participants share best practice on sustainability, develop common standards and skills, and measure and aggregate results to demonstrate continual improvement. Steve Cook chairs the materials sub-group.

UK Green Building Council

John Frankiewicz is a board member on the UK's leading membership organisation campaigning for a sustainable built environment.

Programme for the Endorsement of Forest Certification (PEFC)

Steve Cook sits on the UK Board of Directors of PEFC representing the construction sector.

Grown in Britain

Steve Cook has joined the leadership group for the Grown in Britain Campaign, which was launched in 2013 as part of the Government's Forestry and Woodlands Policy Statement as a response to the Independent Panel on Forestry's Final Report (2012). This small panel, chaired by Dr Peter Bonfield of BRE, comprises CEOs from retailers, contractors, developers and corporations who are in a position to change the way timber is procured and presented to consumers.

Green Construction Board

Rob Lambe is the Chairman of the Knowledge and Skills Group for the UK Green Construction Board.

Zero Carbon Hub

David Adams is a Director of the Zero Carbon Hub, and Chairman of the Modelling Tools Task Group of the DvAB (Designed v As-Built) Research Project funded by the Department for Communities and Local Government.

The refurbishment of Weston Town Hall for North Somerset saw its Energy Performance Certificate (EPC) improve from G to A; the only refurbishment project to date to get an A-rated EPC. It also won the RETROEXPO public building retrofit award for 2012

Independent Verification Statement

Bureau Veritas was commissioned to verify Willmott Dixon's 2012 Key Performance Indicators (KPIs) performance and the reliability of associated information and data.

Scope and Methodology

To form our opinion, Bureau Veritas conducted the activities outlined below:

- Interviews with KPI owners
- Review of supporting documentation (e.g. policies, procedures, reports, email correspondence)
- Review of aggregated project and divisional data sets (e.g. waste and carbon)
- Interrogation of spreadsheets and selected data sampling
- Review of processes for data collection and aggregation

The KPI period assessed relates to 1 January 2012 to 31 December 2012, covering all Willmott Dixon Group businesses.

Bureau Veritas Opinion

It is Bureau Veritas' opinion, based on the assessments made and the evidence reviewed, that the table on page 51 is an accurate reflection of progress against the KPIs, which is representative of the data collected.

Bureau Veritas is confident that no material information has been withheld which could affect stakeholders' ability to make informed judgments on Willmott Dixon's 2012 performance.

Bureau Veritas has made a number of recommendations which the Group should address, in order to improve its approach to managing and reporting sustainability activities. These recommendations are provided as a separate management report.

Statement of Independence

Bureau Veritas is an independent professional services company that specialises in quality, health, safety, social and environmental management advice and compliance with over 180 years history in providing independent verification and assurance services. Bureau Veritas has implemented a code of ethics across its business which ensures that all our staff maintain high standards of integrity and independence. We believe our verification assignment did not raise any conflicts of interest. Our team completing the work has extensive knowledge and experience of conducting verification over sustainability information and systems.

Assessment of Achievement

KPI	2012 Verified Performance
Carbon emissions	20,442.0 tCO_2e
Total waste diverted from landfill	95%
Construction waste generated	13.9 m^3/£100k
Average training days provided per employee	3.6
Health and safety performance	Capital Works: AFR 0.17; AIR 21.69 Support Services: AFR 0.79; AIR 102.69
Average Considerate Constructor Scheme Score	35.5
Community Investment	£1.13 million

Limitation and Exclusions

Excluded from the scope of our work was:

- Any information not directly linked to the selected KPIs
- Company strategy and position statements (including any expression of opinion, belief, aspiration, expectation or aim)

A limited sample of site specific source data (e.g. waste transfer notes) and records were reviewed as part of this assessment.

SUSTAINABLE DEVELOPMENT

Carbon Emissions

Bureau Veritas verified Willmott Dixon's overall carbon emissions for 2012. The table below provides a breakdown of our carbon footprint to Scope 1, 2 and 3 emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard[1]. Emissions for 2011 have been restated following scrutiny of emissions reporting resulting from the verification process.

Further information on our organisational boundaries and reporting procedures can be found on the Willmott Dixon Group website.

Summary of GHG emissions for the year ended 31 December 2012

Absolute emissions

CO_2e emissions (tonnes)	Performance		Percentage Change
	2012	2011[2]	2011/2012
Scope 1	12,067.7	11,351.3	+6.3%
Scope 2	6,032.7	5,327.4	+13.2%
Total Scope 1 and 2 emissions	**18,100.4**	**16,678.7**	**+8.5%**
Scope 3 emissions	2,341.8	2,515.2	-6.9%
Total emissions	**20,442.2**	**19,193.9**	**+6.5%**

Emissions relative to turnover

CO_2e intensity (tonnes/£m turnover)	Performance		Percentage Change
	2012	2011[2]	2011/2012
Total Scope 1 and 2 emissions	17.5	15.9	+10.4%
Total emissions	19.8	18.2	+8.4%

[1] http://www.ghgprotocol.org/standards/corporate-standard

[2] 2011 emissions restated following scrutiny of emissions reporting resulting from the verification process.

How we report our emissions

Boundary

Willmott Dixon's operational boundary for carbon emissions reporting has been determined in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Emissions from any entities acquired during the year are included. Emissions from joint ventures are included based upon the operational control that Willmott Dixon has over the entity. 2011 emissions have been restated based upon the revised boundary and data verification including revised emission factors.

Standards

The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, with guidance at the organisation level for the quantification and reporting of greenhouse gas emissions and removals and PAS 2060:2010 Specification for the demonstration of carbon neutrality, are recognised standards for the measurement and reporting of emissions.

Measures

Figures are measured and estimated energy and fuel use reported as carbon dioxide equivalent (CO_2e), which includes an uplift for the other common greenhouse gases released as a consequence of combusting fossil fuels.

Conversion Factors

The carbon dioxide emissions associated with the activities noted above have been determined on the basis of measured and estimated energy and fuel use, using Defra/DECC's GHG Conversion Factors for Company Reporting for the relevant period.

Verification

Independent verification of our processes has been undertaken by Bureau Veritas. A copy of the independent assessor's Verification Statement may be found on page 50 of this Annual Report and Accounts.

Targets

Willmott Dixon is targeting a reduction in relative emissions (that is CO_2e tonnes per £million of turnover). Our total emissions may rise as the business grows, and relative emissions are a measure of our efficient use of energy from fossil fuels.

SUSTAINABLE DEVELOPMENT

Becoming a Sector Leader in Sustainable Development by Mitigating Risks and Maximising Opportunities

External

Risk	Impact	Opportunity	Benefit	Responsible business
PUTTING PEOPLE FIRST				
Failure to meet clients' expectations or to leave a positive legacy as a result of our developments.	Fewer client recommendations. Reputation negatively affected. Likelihood of repeat business impacted. Poor reputation with partners and stakeholders.	Delight customers and tenants by identifying, agreeing and delivering added value. Help customers and tenants make sustainable choices through information and advice. Leave a legacy of sustainable buildings that integrate with their surroundings, community and local infrastructure.	Clients and tenants achieve outcomes and benefits over and above those that they originally specified. We leave a positive legacy that benefits the local community and the wellbeing of people.	Community Investment performance reported to the Foundation Board. Increase our understanding of social value and social impact with a view to developing a related performance measure.
TACKLING CLIMATE CHANGE AND ENERGY EFFICIENCY				
Cease to be a sector leader in sustainable construction.	Fall behind on legislation, technological advancements and design methods. Increased costs of construction and legislative and regulatory compliance. Loss of market share.	Influence Government and the sector. Collaborate with clients and supply chain to increase collective understanding and capability to respond through joint R&D and sharing of best practice.	Increased awareness of whole life costing, life cycle analysis and as-built performance leading to more sustainable investment decisions, and an energy efficient built environment. Market differentiation of our products leading to increased market share.	Lead the debate by collaborating and networking across the sector in order to improve environmental standards, improve design and building quality and influence Government in favour of sustainable development.
SMARTER USE OF NATURAL RESOURCES				
Unacceptable impact on the natural environment from our suppliers. Failure to procure goods and services responsibly.	Increase in our indirect impact on the natural environment. Reputational risks relating to the sustainable sourcing of materials such as timber.	Pro-actively working with our suppliers to develop their understanding and improvement approach to sustainable development. Preferentially procure products which can demonstrate compliance with a recognised responsible sourcing scheme.	Reduced indirect impact of our operations. Supply chain willing and able to continuously improve and collaborate in delivering innovative solutions and highly performing buildings. Product differentiation and added value enabling us to become a supplier of choice.	Work with our supply chain in a manner that reflects our values. Procure goods, materials and services in line with our Sustainable Procurement Policy.

Internal

Risk	Impact	Opportunity	Benefit	Responsible business
PUTTING PEOPLE FIRST				
Failure to protect and invest in our staff.	Increased costs of construction and legislative and regulatory compliance. Poor health and safety performance resulting in increased insurance premiums and costs associated with legal action.	Highly skilled and motivated workforce willing and able to collaborate internally and externally on delivering innovative, highly performing buildings.	Employer of choice reflecting diversity and demography of the communities in which we operate. Low staff turnover. Increased understanding and capacity through learning and development.	Annual Diversity, Learning and Development and Health and Safety performance managed by Holdings board.
TACKLING CLIMATE CHANGE AND ENERGY EFFICIENCY				
Failure to mitigate our impact or to adapt to the effects of climate change.	Increased energy costs and carbon emissions, increased costs due to programme extensions resulting from adverse weather.	Reduced operating costs, reduced environmental impact from our operations, our products and their performance in-use.	Excellent company reputation as a leader in sustainable construction operations and increased shareholder value through cost management, product differentiation and added value enabling us to become a supplier and employer of choice.	Deliver our Group headline target of "reducing our carbon footprint and decoupling our business growth from carbon emissions" by delivering our Carbon Management Plan. Retain Carbon Trust Standard. Remain carbon neutral.
SMARTER USE OF NATURAL RESOURCES				
Unacceptable impact on the natural environment from our operations.	Increased water resource, waste disposal and materials costs. Reputational and regulatory risks relating to adverse environmental impact.	Reduced operating costs and reduced environmental impact from our operations, our products and their performance in-use.	Excellent company reputation as a leader in sustainable construction operations and increased shareholder value through cost management.	Deliver our Group headline target of "reducing our environmental impacts and our use of natural resources" by launching our new Sustainable Development Strategy.

Oakfield Primary School in Rugby was our first completed Sunesis school. This standardised solution meant Warwickshire County Council could afford a new school rather than a short-term fix of refurbishing the current one

Transforming

Schools

REPORT OF THE DIRECTORS

The Directors submit their report with the audited accounts for the year ended 31 December 2012.

Results

The Group profit for the year before amortisation and taxation amounted to £20,068,000. The profit for the year before taxation was £15,678,000. The tax charge in respect of this result is £4,556,000.

Dividends

Dividends of £8,500,000 were paid in the year.

Principal Activity, Business Review and Future Developments

A general review of the Group's activities and future prospects are included in the Group Chairman's Statement on page 4 and the Group Chief Executive's Report on page 12.

Directors

The current Directors are listed on page 2.

There have been no changes in Directors since 1 January 2012.

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.

Donations

The Group made donations in the year to charities amounting to £121,000 (2011: £29,000).

Financial Instruments

The Group does not actively use financial instruments as part of its financial risk management, except in one particular instance where it has put in place a contractual arrangement that provides a hedge against increases in interest rates on its long term bank loan. 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. The nature of its financial instruments means that the price risk to which they are subjected is minimal. The Group carries out daily cashflow and working capital monitoring which together with regular cash flow forecasting ensure that it has adequate cash in order to make bank loan repayments and therefore to manage the liquidity risk to which it is exposed.

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

Disclosure of information to the auditor

So far as each of the Directors is 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 a Director 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
24 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report of the directors 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK 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, to disclose with reasonable accuracy at any time the financial position of the Company and to 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 2012 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 and express an opinion on 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 2012 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.

Continued

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF WILLMOTT DIXON HOLDINGS LIMITED

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
24 April 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year Ended 31 December 2012

		2012			2011		
	Notes	£000 Before Amortisation	£000 Amortisation	£000 Total	£000 Before Amortisation	£000 Amortisation	£000 Total
TURNOVER: GROUP AND SHARE OF JOINT VENTURES	1	**1,044,855**	**-**	**1,044,855**	1,059,030	-	1,059,030
Less: share of joint ventures		**(10,858)**	**-**	**(10,858)**	(6,893)	-	(6,893)
GROUP TURNOVER		**1,033,997**	**-**	**1,033,997**	1,052,137	-	1,052,137
Cost of sales		**(946,943)**	**-**	**(946,943)**	(957,607)	-	(957,607)
GROSS PROFIT		**87,054**	**-**	**87,054**	94,530	-	94,530
Administrative expenses		**(68,662)**	**(4,390)**	**(73,052)**	(71,661)	(3,447)	(75,108)
OPERATING PROFIT		**18,392**	**(4,390)**	**14,002**	22,869	(3,447)	19,422
Share of operating profit of joint ventures		**503**	**-**	**503**	614	-	614
Share of operating profit of associate		**10**	**-**	**10**	-	-	-
		18,905	**(4,390)**	**14,515**	23,483	(3,447)	20,036
Interest payable and similar charges	2	**(129)**	**-**	**(129)**	(109)	-	(109)
Interest receivable	3	**1,292**	**-**	**1,292**	1,221	-	1,221
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	**20,068**	**(4,390)**	**15,678**	24,595	(3,447)	21,148
Tax on profit on ordinary activities	7			**(4,556)**			(6,889)
PROFIT FOR THE FINANCIAL PERIOD				**11,122**			14,259

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.

The notes on pages 68 to 87 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

		2012		2011	
	Notes	£000	£000	£000	£000
FIXED ASSETS					
Goodwill	9		51,055		55,445
Tangible assets	10		4,591		4,274
Investment in joint ventures	11				
Share of gross assets		20,790		19,851	
Share of gross liabilities		(20,484)		(19,508)	
Loans		11,249		2,279	
			11,555		2,622
Investment in associate	11		10		-
Investments	11		300		300
			67,511		62,641
CURRENT ASSETS					
Stocks	12	9,756		9,666	
Debtors	13	263,494		284,215	
Cash and bank balances		68,036		66,698	
		341,286		360,579	
CREDITORS: amounts falling due within one year	14	(257,048)		(274,042)	
NET CURRENT ASSETS			84,238		86,537
TOTAL ASSETS LESS CURRENT LIABILITIES			151,749		149,178
CREDITORS: amounts falling due after one year	15		(4,212)		(4,138)
PROVISION FOR LIABILITIES	17		(212)		(337)
			147,325		144,703
CAPITAL AND RESERVES					
Called up share capital	18		100,000		100,000
Share premium account	19		2,083		2,083
Profit and loss account	19		45,242		42,620
			147,325		144,703

The notes on pages 68 to 87 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2013 and were signed on its behalf by:

Colin Enticknap
Group Chairman

COMPANY BALANCE SHEET

As at 31 December 2012 | *Company number: 0198032*

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
FIXED ASSETS					
Tangible assets	10		**1,113**		1,177
Investments	11		**113,149**		113,149
			114,262		114,326
CURRENT ASSETS					
Debtors	13	**3,584**		4,838	
Cash and bank balances		**53,884**		52,738	
		57,468		57,576	
CREDITORS: amounts falling due within one year	14	**(33,729)**		(34,324)	
NET CURRENT ASSETS			**23,739**		23,252
TOTAL ASSETS LESS CURRENT LIABILITIES			**138,001**		137,578
CREDITORS: amounts falling due after one year	15		**(222)**		(118)
PROVISION FOR LIABILITIES	17		**(212)**		(337)
			137,567		137,123
CAPITAL AND RESERVES					
Called up share capital	18		**100,000**		100,000
SHARE PREMIUM ACCOUNT	19		**2,083**		2,083
PROFIT AND LOSS ACCOUNT	19		**35,484**		35,040
			137,567		137,123

The notes on pages 68 to 87 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2013 and were signed on its behalf by:

Colin Enticknap
Group Chairman

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2012

	Notes	2012 £000	2011 £000
CASH FLOW FROM OPERATING ACTIVITIES	25	489	20,254
DISTRIBUTIONS FROM JOINT VENTURES		284	13
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	697	849
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	(9,833)	(2,563)
ACQUISITIONS	25	-	(1,042)
EQUITY DIVIDENDS PAID	8,25	(8,500)	(12,500)
CASH FLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(16,863)	5,011
FINANCING	25	18,201	(561)
INCREASE IN CASH		1,338	4,450
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	25		
Increase in cash		1,338	4,450
Finance leases taken		(571)	(3)
Finance lease repayment		315	154
Increase in borrowings		(5)	(4)
Movement in net funds		1,077	4,597
Net funds at 1 January 2012		62,405	57,808
Net funds at 31 December 2012		63,482	62,405

The notes on pages 68 to 87 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Year ended 31 December 2012

CONSOLIDATED	Notes	2012 £000	2011 £000
Profit for the financial period		11,122	14,259
Ordinary dividends	8	(8,500)	(12,500)
Movements in equity shareholders' funds		2,622	1,759
Equity shareholders' funds at 1 January 2012		144,703	142,944
Equity shareholders' funds at 31 December 2012		147,325	144,703

COMPANY	Notes	2012 £000	2011 £000
Profit for the financial period		8,944	13,619
Ordinary dividends	8	(8,500)	(12,500)
Movements in equity shareholders' funds		444	1,119
Equity shareholders' funds at 1 January 2012		137,123	136,004
Equity shareholders' funds at 31 December 2012		137,567	137,123

The notes on pages 68 to 87 form part of these financial statements.

NOTES ON THE ACCOUNTS

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 2012. 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 identifiable assets and liabilities 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) 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.

d) 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.

e) 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.

f) 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 until such time as the related contract becomes virtually certain.

g) Investments

Interests in joint ventures are stated at the Group's share of the gross assets and gross liabilities.

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

Parent Company investments in subsidiaries and other fixed asset investments are stated at cost less provision for any impairment.

h) 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.

i) 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.

j) Research and development

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

1. Accounting policies (continued)

k) 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. These schemes are accounted for as defined contribution schemes; contributions have been expensed as they fall due and no other liability arises.

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

l) 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. 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. Interest payable and similar charges

	2012	2011
	£000	£000
Bank loan	107	88
Finance lease interest	22	21
	129	109

3. Interest receivable

	2012	2011
	£000	£000
From cash and bank balances	601	890
From joint ventures	691	331
	1,292	1,221

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

	2012 £000	2011 £000
Depreciation of tangible fixed assets – owned assets	**2,062**	1,644
Depreciation of tangible fixed assets – assets held under finance leases	**193**	167
Loss on disposal of tangible fixed assets	**96**	257
Amortisation of goodwill	**4,390**	3,447
Operating lease rentals – plant and machinery	**2,817**	2,602
– other rentals	**6,932**	6,434
Directors' remuneration (see note 6)	**1,675**	3,041
Auditor's remuneration – for Parent Company audit services	**21**	21
– for subsidiary company audit services	**112**	108
– for taxation services	**21**	43
– for other services	**-**	2

Certain contract specific costs amounting to £15,244,000 previously treated as administrative expenses in the comparative period have been reclassified as cost of sales.

5. Employees

The average weekly number of employees, excluding Directors, during the year was made up as follows:

	2012 No.	2011 No.
Office and administration	**764**	775
Site and production	**2,374**	2,070
	3,138	2,845

Staff costs during the year amounted to:

	£000	£000
Wages and salaries	**120,039**	112,309
Incentive payments to staff	**10,814**	13,606
Pension contributions	**4,761**	4,986
Social security costs	**14,066**	13,608
	149,680	144,509

6. Directors' remuneration

	2012 £000	2011 £000
Fees	160	160
Remuneration	670	615
Pension contributions	142	202
Profit share payments	703	2,064
	1,675	3,041

The remuneration of the highest paid Director was £558,000 (2011: £1,134,000) including pension contributions of £50,000 (2011: £52,000)

7. Taxation

	2012 £000	2011 £000
a) Analysis of charge:		
Current tax		
Corporation tax at 24.5% (2011: 26.5%)	4,799	6,066
Payments made for group relief	349	852
Adjustments in respect of prior years	(426)	(100)
Share of tax of joint ventures	-	3
	4,722	6,821
Deferred tax		
Origination and reversal of timing differences	(193)	39
Effect of change in tax rate	27	29
	4,556	6,889

	2012	2011
	£000	£000

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 (24.5%). The differences are explained below:

	2012 £000	2011 £000
Profit on ordinary activities before tax	15,678	21,148
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 24.5% (2011: 26.5%)	3,841	5,604
Expenses not deductible for tax purposes	26	306
Amortisation of goodwill	1,054	913
Capital allowances for the year less than depreciation	193	128
Other timing differences	34	(33)
Adjustments in respect of prior years	(426)	(100)
Share of tax of joint ventures	-	3
Current tax	4,722	6,821

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 asset of £166,000 (2011: liability of £68,000) was transferred to other Group companies.

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.

8. Dividends

	2012 £000	2011 £000
Ordinary dividends	8,500	12,500

9. Goodwill

	2012 £000
GROUP	
Cost	
1 January 2012 and 31 December 2012	65,270
Amortisation	
1 January 2012	9,825
Charge for the year	4,390
31 December 2012	14,215
Net Book Value	
31 December 2012	51,055
31 December 2011	55,445

10. Tangible assets

	Land and buildings	Computer equipment	Plant and equipment	Furniture and fittings	2012 Total
	£000	£000	£000	£000	£000
GROUP					
Cost					
1 January 2012	3,051	8,061	1,603	1,769	14,484
Additions	276	2,103	158	131	2,668
Disposals	(117)	(1,563)	(227)	(60)	(1,967)
31 December 2012	3,210	8,601	1,534	1,840	15,185
Depreciation					
1 January 2012	2,134	5,992	1,190	894	10,210
Depreciation in the year	374	1,529	190	162	2,255
Eliminated on disposals	(117)	(1,482)	(222)	(50)	(1,871)
31 December 2012	2,391	6,039	1,158	1,006	10,594
Net Book Value					
31 December 2012	819	2,562	376	834	4,591
31 December 2011	917	2,069	413	875	4,274

	2012	2011
	£000	£000
The Group net book value of land and buildings comprises:		
Freehold land and buildings	15	15
Short leasehold land and buildings	804	902
	819	917

The net book value of assets held under finance leases amounts to £711,000 (2011: £333,000), and depreciation of £193,000 (2011: £167,000) has been expensed to the profit and loss account.

10. Tangible assets (continued)

	Short leasehold land and buildings	Computer equipment	Plant and equipment	Furniture and fittings	2012 Total
	£000	£000	£000	£000	£000
PARENT COMPANY					
Cost					
1 January 2012	1,089	2,987	258	528	4,862
Additions	5	437	36	-	478
Transfers to fellow Group companies	-	(2)	-	-	(2)
Transfers from fellow Group companies	-	13	8	-	21
Disposals	(114)	(1,061)	-	-	(1,175)
31 December 2012	980	2,374	302	528	4,184
Depreciation					
1 January 2012	982	2,178	214	311	3,685
Depreciation in the year	64	379	24	42	509
Transfers to fellow Group companies	-	(2)	-	-	(2)
Transfers from fellow Group companies	-	8	1	-	9
Eliminated on disposals	(114)	(1,016)	-	-	(1,130)
31 December 2012	932	1,547	239	353	3,071
Net Book Value					
31 December 2012	48	827	63	175	1,113
31 December 2011	107	809	44	217	1,177

The net book value of assets held under finance leases amounts to £665,000 (2011: £258,000), and depreciation of £164,000 (2011: £129,000) has been expensed to the profit and loss account.

11. Investments

	Joint Ventures	Associate	Fixed Asset Investment	2012 Total
	£000	£000	£000	£000
GROUP				
Investments				
1 January 2012	343	-	300	643
Profit for the year	247	-	-	247
Distribution received	(284)	-	-	(284)
Additions	-	10	-	10
31 December 2012	306	10	300	616
Loans				
1 January 2012	2,279	-	-	2,279
Additions	11,181	-	-	11,181
Release of provision	767	-	-	767
Repayments	(2,978)	-	-	(2,978)
31 December 2012	11,249	-	-	11,249
Total Investments				
31 December 2012	11,555	10	300	11,865
31 December 2011	2,622	-	300	2,922

	Subsidiaries	Fixed Asset Investment	2012 Total
	£000	£000	£000
PARENT COMPANY			
Shares at Cost			
At 1 January 2012 and 31 December 2012	113,440	300	113,740
Provisions			
At 1 January 2012 and 31 December 2012	(591)	-	(591)
Total Investments			
At 1 January 2012 and 31 December 2012	112,849	300	113,149

The list of principal subsidiaries, joint ventures and associates is set out in note 26.

12. Stocks

	2012 £000	2011 £000
Raw materials and consumables	866	832
Work in progress	8,890	8,834
	9,756	9,666

Included within the work in progress balance is interest amounting to £167,000 (2011: £167,000).

13. Debtors

	GROUP		PARENT COMPANY	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade debtors	43,463	58,344	-	-
Amounts recoverable on contracts	58,081	41,035	736	-
Other taxes	-	1,078	-	-
Amounts due from group companies	153,686	176,758	-	-
Prepayments and accrued income	8,264	7,000	2,848	4,838
	263,494	284,215	3,584	4,838

Group trade debtors include an amount of £935,000 (2011: £935,000) which falls due after more than one year.

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

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade creditors	88,718	64,757	-	-
Amounts due to group companies	-	-	20,559	31,369
Payments on account	22,357	42,936	-	-
Other tax and social security	3,040	129	2,736	-
Other creditors	1,314	447	1,314	447
Finance leases (see note 22)	342	155	307	118
Accruals and deferred income	141,277	165,618	8,813	2,390
	257,048	274,042	33,729	34,324

Cost of sales accruals amounting to £146,578,000 have been reclassified from trade creditors to accruals in the comparative period.

15. **Creditors:** amounts falling due after one year

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
	£000	£000	£000	£000
Bank loan (see note 16)	3,990	3,985	-	-
Finance leases (see note 22)	222	153	222	118
	4,212	4,138	222	118

16. Bank loan: matures as follows

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
	£000	£000	£000	£000
Between two and five years	3,990	3,985	-	-

The bank loan comprises a term loan of £4,000,000 which is offset by deferred arrangement fees of £10,000.

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. Provision for liabilities

	GROUP	PARENT COMPANY
	2012	2012
	£000	£000
1 January 2012	337	337
Provisions utilised	(125)	(125)
31 December 2012	212	212

The redundant premises provision at 31 December 2012 is expected to be utilised over a period of approximately 2 years.

18. Called up share capital

	2012	2011
	£000	£000
Ordinary shares of £1 each		
Allotted, called up and fully paid	100,000	100,000

19. Reserves

	Share premium account	Profit and loss account
	£000	£000
GROUP		
1 January 2012	2,083	42,620
Profit for the financial period	-	11,122
Ordinary dividends	-	(8,500)
31 December 2012	2,083	45,242

	Share premium account	Profit and loss account
	£000	£000
PARENT COMPANY		
1 January 2012	2,083	35,040
Profit for the financial period	-	8,944
Ordinary dividends	-	(8,500)
31 December 2012	2,083	35,484

20. Profit attributable to members of the Parent Company

The profit of the Parent Company for the year was £8,944,000.

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.

21. 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.

22. Group leasing commitments

Obligations under operating leases at 31 December 2012 were as follows:

	2012	2011
	£000	£000
LAND AND BUILDINGS:		
Commitments payable within one year under leases expiring:		
Within one year	71	161
Within two to five years	998	887
After five years	790	947
	1,859	1,995
OTHER LEASES:		
Commitments payable within one year under leases expiring:		
Within one year	1,042	1,254
Within two to five years	2,837	2,281
	3,879	3,535

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

Obligations under finance leases at 31 December 2012 were as follows:

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
	£000	£000	£000	£000
Amounts payable in respect of finance leases:				
Within one year	342	155	307	118
Within two to five years	222	153	222	118
	564	308	529	236

Finance leases are secured on the related assets.

23. Group guarantees

On 21 December 2012 the Ultimate Parent Company agreed a £50,000,000 revolving credit facility with Lloyds Banking Group for the five years ending 31 December 2017. As at 31 December 2012, £5,000,000 of the facility had been utilised.

The Company has, with the Ultimate Parent Company and certain fellow subsidiaries, therefore entered into multi-lateral financial guarantees in favour of Lloyds Banking Group 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.

24. Related party transactions

The list of principal subsidiaries, joint ventures and associates is set out in note 26.

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:

	2012	2011
	£000	£000
JOINT VENTURE ENTITIES		
Sales to Dee Park Partnership LLP	8,095	12,427
Sales to KLA Twickenham Road LLP	-	10
Sales to Brenley Park LLP	10,601	8,709
Sales to Aberfeldy New Village LLP	1,137	-
Sales to Greenwich Partnership LLP	5,305	-
Purchases from KLA Twickenham Road LLP	-	5,156
Purchases from Brenley Park LLP	6,667	-
Amounts due from Brenley Park LLP	-	38
Amounts due from Dee Park Partnership LLP	1,587	1,507
Amounts due from Greenwich Partnership LLP	9,660	-
Amounts due from Wimbledon Gateway LLP	2	-
ASSOCIATES		
Sales to Galatia LLP	86	-
Amounts due from Galatia LLP	24	-

During the year a repayment of £17,000 (2011: loan made of £280,000) was received from Woking Gateway LLP.

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.

25. Notes to the cash flow statement

	2012 £000	2011 £000
RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Group operating profit	14,002	19,422
Depreciation charges	2,255	1,811
Loss on sale of tangible fixed assets	96	257
Amortisation of goodwill	4,390	3,447
Movement in provisions	(125)	(2,003)
Other non cash movements	(981)	39
Movement in working capital balances:		
Increase in stocks	(90)	(2,090)
Increase in debtors	(1,875)	(26,244)
(Decrease)/increase in creditors	(17,183)	25,615
Net cash flow from operating activities	489	20,254

	2012 £000	2011 £000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Loan interest paid	(107)	(88)
Interest received	826	958
Finance lease interest paid	(22)	(21)
	697	849

	2012 £000	2011 £000
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(2,096)	(2,749)
Loans to joint ventures	(10,715)	(1,726)
Repayment of loans by joint ventures	2,978	1,912
	(9,833)	(2,563)

	2012 £000	2011 £000
ACQUISITIONS		
Acquisition of subsidiary	-	(742)
Acquisition of fixed asset investment	-	(300)
	-	(1,042)

	2012 £000	2011 £000
EQUITY DIVIDENDS PAID		
Ordinary dividends	(8,500)	(12,500)

	2012 £000	2011 £000
FINANCING		
Finance lease capital repayments	(315)	(154)
Repayment from / (advances to) Group companies	18,516	(407)
	18,201	(561)

ANALYSIS OF NET FUNDS

	1 January 2012	Cash flow	Non cash flow	31 December 2012
Cash and bank balances	66,698	1,338	-	68,036
Bank loan due after one year	(3,985)	-	(5)	(3,990)
Finance leases due within one year	(155)	3	(190)	(342)
Finance leases due after one year	(153)	312	(381)	(222)
	62,405	1,653	(576)	63,482

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

26. Principal Subsidiaries, Joint Ventures and Associates

The information below relates to those subsidiary companies, joint ventures and associates 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, joint ventures and associates 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%
Willmott Dixon Regen Limited*	Development of new homes	100%
Willmott Dixon Residential Limited	Development of new homes for sale	100%
be:here Limited	Development of new homes for market rent	100%
Willmott Dixon Support Services Limited*	Intermediate holding company	100%
Willmott Dixon Partnerships Limited	Maintenance and stock reinvestment	100%
Willmott Dixon Energy Services Limited	Provision of energy efficiency and renewable energy solutions in the built environment	100%

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

JOINT VENTURES

Name	Main Activity	% Holding
Aberfeldy New Village LLP*	Development of new homes for sale	50%
Brenley Park LLP	Development of new homes for sale	50%
Dee Park Partnership LLP *	Development of new homes for sale	50%
Greenwich Partnership LLP	Development of new homes for sale	50%
KLA Twickenham Road LLP *	Development of new homes for sale	50%

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

ASSOCIATES

Name	Main Activity	% Holding
Galatia LLP	Maintenance and stock reinvestment	40%

LOCATIONS


NEWCASTLE
LEEDS
MANCHESTER
ROTHERHAM
BURTON
NOTTINGHAM
BIRMINGHAM
LETCHWORTH
SHEFFORD
HITCHIN
CARDIFF
LONDON
DARTFORD
BRISTOL
COBHAM

Transforming

Lives

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