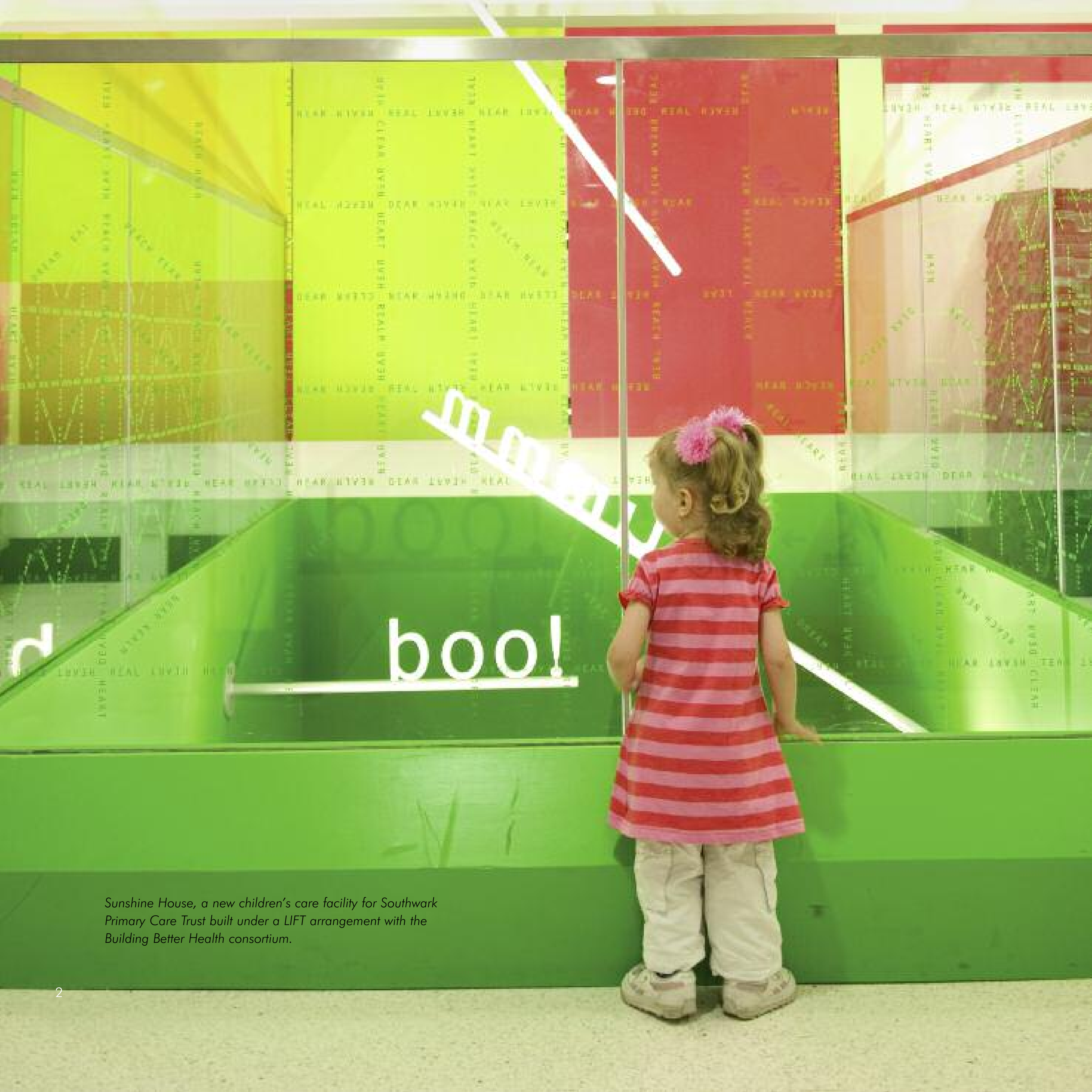
Annual Report & Accounts



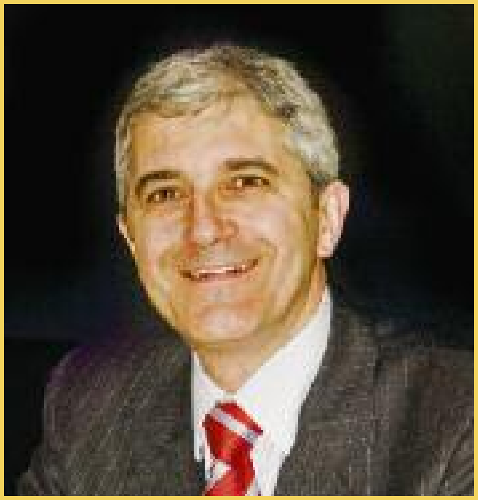



Sunshine House, a new children's care facility for Southwark Primary Care Trust built under a LIFT arrangement with the Building Better Health consortium.

Pupils from several schools in Brent learn about sustainability in the built environment at the Re-Thinking School of the Future at BRE.

Gracefield Gardens Health and Social Care Centre, providing Lambeth Primary Care Trust with bright, new accommodation for GP, nursing, midwifery and therapy services.

Contents



Colin Enticknap, FCIOB, MRICS
Group Chairman

Rick Willmott, MCIOB
Chief Executive Officer

John Frankiewicz, FCIOB
Director

Steven Dixon, Dip.M, MCIM
Non-Executive Director

Sir Michael Latham, DL, MA
Non-Executive Director

Chief Finance Officer
Duncan Canney, FCA, BSc Hons.

Secretary and Registered Office
Wendy McWilliams, LLB, ACIS
Spirella 2,
Icknield Way,
Letchworth Garden City,
Hertfordshire, SG6 4GY
Registered Number: 198032

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

Year ended 31 December 2007

	2007 £000	2006 £000 restated
Group turnover	**380,393**	**359,320**
Operating profit and interest	**9,792**	**7,917**
Exceptional profit on sale of subsidiary	**–**	**39,334**
Profit before tax	**10,145**	**48,200**
Ordinary dividends*	**2,957**	**1,642**
Other dividends	**–**	**44,704**
Shareholders' funds	**27,523**	**22,873**
Earnings per share	**157.7p**	**1,102.5p**
Ordinary dividends per share*	**70p**	**39p**
Other dividends equivalent per share	**–**	**1,070p**

*Paid and declared in respect of the year

Colin Enticknap, FCIOB, MRICS

2007 has been another successful and very eventful year for Willmott Dixon Limited. We have delivered an excellent set of financial results; we have continued to see superb performances from our existing operations; we have created the opportunity to now expand our service offering and increase our resilience through the re-acquisition of Inspace; and we have participated in a wider strategic restructure that has positioned the new enlarged Group for its next phase of growth.

Acquisition and Strategic Restructure

On 19 December 2007 the board announced its Offer to acquire the balance of the issued share capital of Inspace plc ("Inspace") for approximately £133.0 million, funded partly through existing cash reserves, partly through an underwritten rights issue and partly through bank debt provided by RBS. I am pleased to say the Offer was successful, and was declared wholly unconditional on 17 January 2008.

Since then, enormous effort has been put into the acquisition process and associated strategic re-structuring. We have established Willmott Dixon Holdings Limited ("Holdings") as the new ultimate parent company for the Group; we have implemented a share for share exchange under which our previous shareholders are instead now shareholders in Holdings; and we have completed the rights issue in Holdings - which was significantly over subscribed. We have also acquired all remaining Inspace shares and made very good progress with the re-integration of the two businesses.

As a result, Willmott Dixon is now wholly owned by Holdings and sits alongside Inspace as part of the enlarged Group.

Excellent Financial Results

The board has been pleased to see strong underlying growth from Willmott Dixon during the year. Group turnover grew to £380.4 million [2006: £359.3 million] and profit before tax reached £10.1 million [2006: £48.2 million including £39.3 million from exceptional sale of subsidiary], both excellent results bearing in mind the distortion created to the 2006 comparator figures by the Widacre divestment.

On 17 January 2008, just ahead of the strategic restructure, the board resolved to pay a fourth interim dividend of 22 pence per share on 30 May 2008 to those shareholders on the register as at 16 January 2008. The directors will not be recommending a final dividend. The total dividend paid and declared in respect of 2007 will therefore amount to 70 pence per share.

On the advice of PKF (UK) LLP, our new auditors appointed at last year's AGM, our 31 December 2006 balance sheet has been re-stated to show equity shareholders' funds of £22.9 million, the background to which is explained in note 1(j) of the Notes on the Accounts. Notwithstanding that adjustment, our balance sheet continued to strengthen, with equity shareholders funds at 31 December 2007 reaching £27.5 million and, perhaps more importantly, net cash and liquid investments growing significantly to £73.3 million [2006: £57.3 million].

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

Superb Operational Performances

These results have, of course, been built upon superb operational performances, most notably from Willmott Dixon Construction which continues to grow from strength to strength. That growth is characterised in many ways - in scale, with the divisional contribution to turnover having increased by 36% in the year; in project capacity, where we have an increasing track record of delivering schemes above £25 million; and in reputation, where Re-Thinking continues to provide differentiation helping create innovative, sustainable and practical construction solutions.

Our longer term initiatives, Willmott Dixon Public Private Investments ("PPI") and Willmott Dixon Developments ("WDD") have been quietly progressing in the background. The acquisition of Rock Project Investments early in the year was an important milestone for "PPI", giving us the capacity to enter the Private Finance Initiative market as a project assembler and equity investor. It is still early days, but with several tenders already in the pipeline, we are encouraged by progress so far.

Whilst "WDD" has taken more of a back seat during the Rock and Inspace acquisitions, it has been moving forward discussions with planners in relation to its small portfolio of land investments.

Priory Place, a five-storey commercial development in Chelmsford, Essex, that provides Grade A office space.

John Frankiewicz, FCIOB

Expanding our Service Offering

Once the re-integration of Inspace into the enlarged Group is complete, we will be able to start the final stage of our restructure.

This will see Willmott Dixon's service offering expanded through the transfer of Inspace Maintain (to be re-branded Willmott Dixon Maintain) and Inspace Complete (to be re-branded Kanvas), giving commercial and public sector clients integrated support across all their property related needs.

Inspace will then be well positioned to focus upon its core activity of building, improving and maintaining social and affordable housing.

Finally, Rock Projects will be established as the Group's third headline business alongside Willmott Dixon and Inspace, with "PPI" and "WDD" becoming Rock Project Investments and Rock Project Developments respectively.

Boards

Amongst the many other changes to our structures and our services, we will also see important changes to our boards as they are realigned to suit our next phase of growth.

Most notably, John Frankiewicz - who has been instrumental in the considerable success of our Construction division - will become Chief Executive Officer of Willmott Dixon from the half year, allowing Rick Willmott - who has demonstrated superb leadership of Willmott Dixon over the past three years - to concentrate upon his wider role as Group Chief Executive on the Holdings board.

Sir Michael Latham - who has played a crucial role helping position Willmott Dixon at the forefront of UK Partnering - will extend his involvement onto the Inspace board.

Steven Dixon, who has provided excellent non-executive support, has decided to step down from the Willmott Dixon and Holdings boards at the AGM, to pursue his other business interests.

My thanks go to all of them for their considerable contributions during the year. I would also like to offer my congratulations to John for promotion richly deserved and my best wishes to Steven for future happiness and success.

With Chris Durkin also being appointed as Chief Executive Officer of Inspace, and with Christopher Sheridan and Andrew Telfer joining Rick and me on the Holdings board, I am confident that we will have strong top teams in place across all parts of the Group.

Sir Michael Latham, DL, MA

Steven Dixon, Dip.M, MCIM

The Future

Looking further forward, we will need strong teams at every level of the organisation. We now live in less certain times, both economically and politically, in which we cannot be sure of what the future holds. With a high level of dependency upon public sector expenditure and the prospect of more difficult trading conditions to come, we must remain alert, flexible and able to respond quickly to a changing marketplace.

We have, of course, taken steps to prepare ourselves for that challenge. We are now a significantly larger and more diverse business with increased breadth and depth, greater economies of scale, and increased workload visibility. As always, we have a clear strategy for the future and a robust customer base. But most of all, we have a superb group of people. It is they who make our business what it is, and upon whom we will continue to rely in the future.

As always, we owe them immense gratitude - for their relentless energy, for their infectious enthusiasm, and for their long-standing loyalty. There are, of course, far too many to mention individually, but our thanks go to them all.

Colin Enticknap

Trainee of the Year, Will Barrett with the other 2007 finalists.

2007 provided another excellent year of performance and strategic evolution by our business, where both turnover and profit budgets were substantially exceeded and the strategic decision to re-acquire Inspace was taken.

Before outlining the future shape and direction of the Group, which I will refer to later in this report, I wish to highlight the key features of our performance in 2007.

Our corporate achievement during 2007 was, to a very large extent, generated by the exceptional performance of Willmott Dixon Construction. As suggested in my report to shareholders last year, Construction was the 'heart of the business' during the year, supported by our minority investment within Inspace and the establishment of our Rock PFI business.

Our key aspirations for Construction in 2007 were to

- Drive organic growth
- Secure additional long term framework agreements
- Plan for regional expansion
- Create a plan to underline our commitment to sustainability
- To conclude a strategic review of the company

Rick Willmott, MCIOB

Of course our aspirations for 2007 were set against the backcloth of an economic landscape which, after a twelve year 'run' of growth in output and confidence, led us to highlight the need to remain alert, to look for signs of complacency and to consider material threats to our core markets.

The second half of 2007 heralded the start of events in financial markets worldwide which will inevitably have an impact on customer confidence and may lead to heightened levels of competition in some of our primary markets. We remain resolute however in our belief that an entrepreneurial style, backed by superb service delivery, and a highly professional body of staff will continue to provide our company with the attributes necessary to fulfil shareholder expectations.

I will touch on many of these matters in the body of my report.

Up to four schools per week visit the Re-Thinking School of the Future at BRE to learn more about the school's environmental features like water harvesting and the Eurban solid timber system, now being used by framework clients.

Willmott Dixon staff continue to be active players in their community. In this instance, staff from the Cardiff office are helping to transform a farm used by people with learning difficulties to learn more about the countryside.

The Institute of Life Science, one of Europe's foremost facilities to research life sciences, built for the University of Swansea.

Financial Performance

The financial performance of Willmott Dixon during the year has been less flamboyant than that of 2006 which, as shareholders will recall, included the exceptional profit generated by the sale of Widacre to Inspace. That said, I am delighted by the response of the, temporarily, less diverse business and highlight the following key features.

Pre-tax profit on ordinary activities reached £10.1 million representing a 14.4% increase over the 2006 position excluding exceptionals. This represents a realistic 2.7% return on turnover which in itself is a 8.1% increase from the 2006 performance.

These results are a substantial achievement as they include the costs involved in accelerating the launch of a new Local Company Office in Dartford and the substantial costs required to bid, at risk, for projects under the Government's Building Schools for the Future and City Academies' programmes. All of these have been absorbed in the year's results.

Group turnover also grew in 2007 to £380.4 million, a 6% increase over 2006; this is the first year where all but £1 million of our turnover was provided by Construction, representing a 35.7% increase in that company's annual turnover. Construction remains on track for substantial and controlled organic growth over the next three year period.

Group cash flow demonstrated a very strong performance during the year with £73.3 million net funds at the year end, approaching £16 million ahead of the closing position in 2006 and a vital ingredient in the re-acquisition of Inspace.

All of our other key financial metrics continue to perform very well.

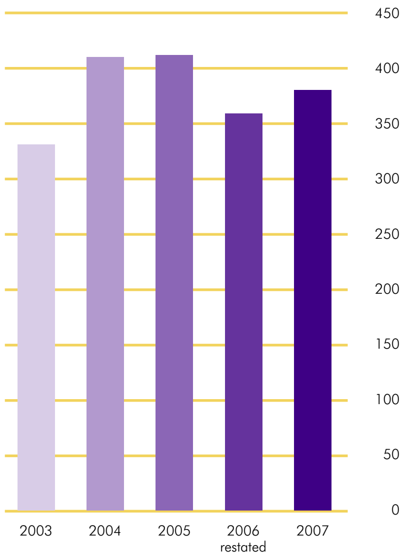
Ordinary dividends distributed, and with a further dividend of 22p declared, will have grown to 70p per share compared to 39p in 2006.

Equity shareholders funds have increased by some 20.3% after 2006 re-statement, representing a pre-tax return on shareholders funds of a superb 39.9%.

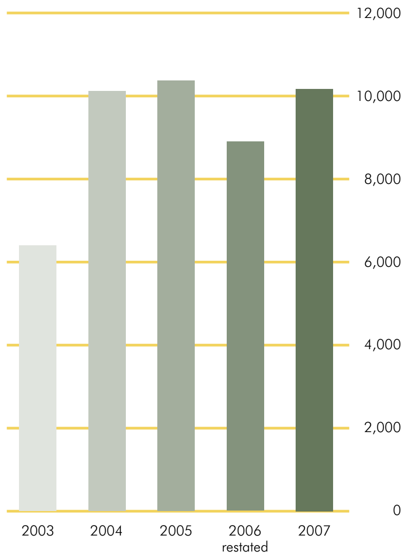
We remain just as committed to our staff incentive schemes with £3.5 million of payments being made during 2007 to staff under a variety of schemes. In addition, the share incentive scheme established in 2006 for all directors, other than the Group board, has allowed many of our senior managers to become shareholders and to afford them the opportunity of participating in the ownership of our company.

The five year graphical history of a number of these key financial measures is depicted on the opposite page.

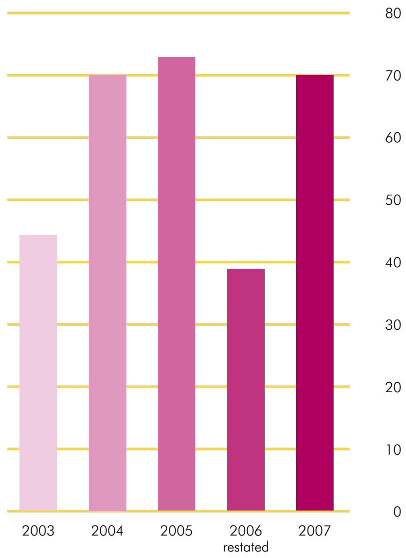
Turnover (£millions) for the Group during the past five years



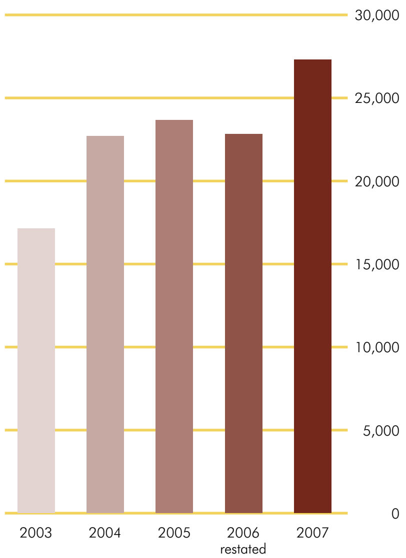
PBT excluding exceptionals (£000) for the Group during the past five years



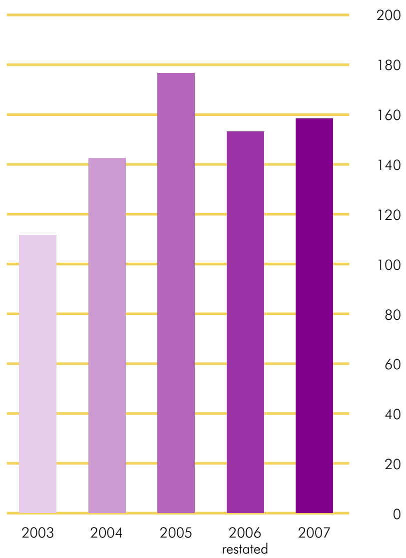
Ordinary dividends (pence) per share during the past five years



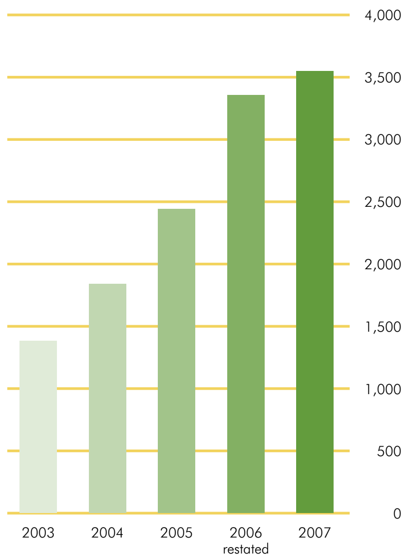
Shareholders' funds (£000) during the past five years



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



Incentive payments to staff (£000) during the past five years (excluding Inspace & Widacre)



Willmott Dixon Construction

Willmott Dixon Construction delivered another superbly controlled year of exceptional growth and robust financial performance.

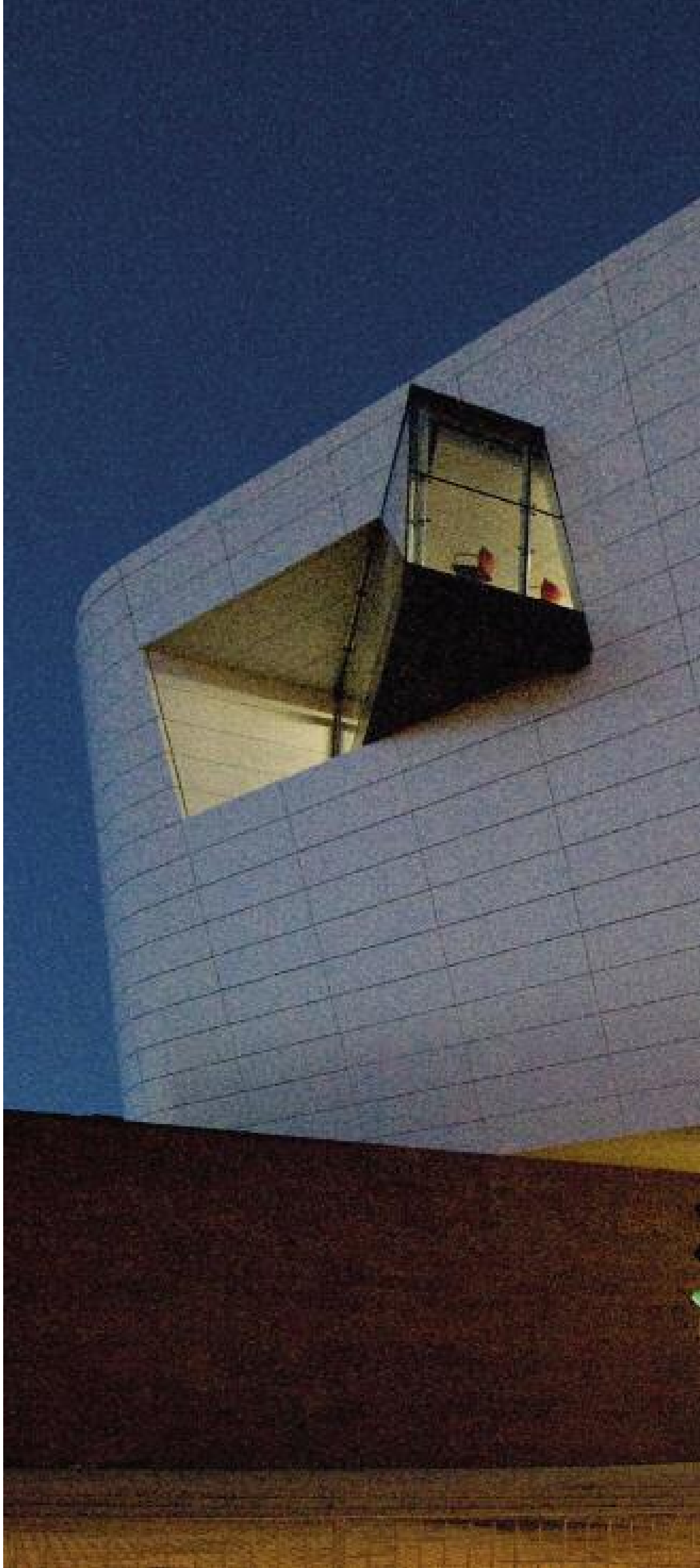
The credit for the company's consistent performance should be attributed to John Frankiewicz, in his position as Chief Operating Officer, together with the Managing Directors of the five Local Company Offices: Brian Drysdale, Mike Hart, Robert Lambe, Peter Owen and Mark Tant, who have worked incredibly well as a balanced and complementary top team.

The real rate of sales growth for the year was approaching 36% with the vast majority of projects being secured under existing long term framework relationships with customers that value our style and approach to their projects.

The company is privileged to have added SMART East, Cambridge County Council, BAA and Building Schools for the Future in Kent and Lambeth to an existing list of superb regional relationships. Our list of framework customers spans, geographically, the majority of the UK including regional relationships with Local Authorities, NHS Trusts, Universities, leisure operators, high street retailers, and nationally for Central Government Departments including the National Offender Management Service and Partnerships for Schools.

As a result, Construction can demonstrate a very sustainable balance to its workload profile where customers, in both the public and private sectors, are carefully selected according to their underlying procurement philosophy, commitment to sustainability and demonstrable medium term capital spend programmes.

Another end user satisfied with the quality of a Willmott Dixon building.



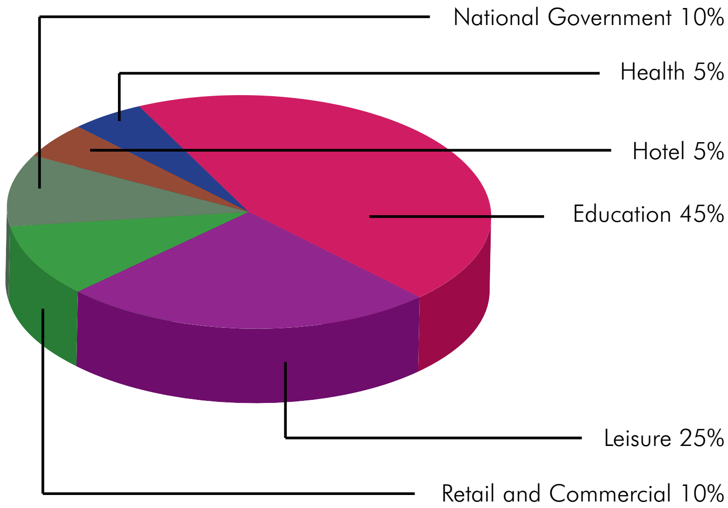
Cardiff School of Creative and Cultural Industries, an eye-catching new building for University of Glamorgan in the centre of Cardiff.

The Express by Holiday Inn hotel in Redditch.

Our aspiration has always been to create visibility of workload to enable the company to plan its growth and to match growth potential with available resources. As we entered 2008 some £455 million of workload was already secured or highly probable for the year with a further £309 million secured or highly probable for 2009. One of the key transformations in the procurement of capital projects in recent years has been the early introduction of the constructor into the team, typically our involvement in projects commences at a very early stage in the design process giving our pre-construction teams the opportunity to influence the adoption of sustainable and economic processes and features into superb architectural designs.

This style of approach is best procured under collaborative forms of contract, such as the NEC and PPC2000 forms, which promote this ideal and which repeatedly contribute to successful outcomes and award winning projects for public and private clients alike.

The following chart identifies the focus, by sector, of the Construction company.



These successes have allowed Willmott Dixon Construction to review its growth aspirations through to 2010 and to demonstrate best practice in the creation of new Local Company Offices (LCOs). The careful advanced planning of both workload and resources has enabled the launch of both the Dartford and Manchester LCOs in July 2007 and January 2008 respectively. These two new offices alone are expected to contribute over £100 million in turnover and £3 million in net profit during 2008 and will drive the controlled growth of this part of the company to approaching £650 million by 2010.

All these successes are supported by the work of a number of internal Strategic teams. Their work through the year has been invaluable and has contributed to our ability to interrogate new markets, to operationally and commercially control delivery and to generate a unique approach to sustainability.

Willmott Dixon Construction and its customers have benefited from the value added service generated by the expertise of the Re-Thinking team that now has a range of sustainability biased offerings. These include:

- Providing advice on Sustainable Development
- Post Occupancy Evaluation
- BREEAM Assessment
- Facilitation and specialist training
- Sustainable Design championing

A demonstration of how these services can be encompassed and delivered was by the completion of the 'Re-Thinking School of the Future' at the Building Research Establishment (BRE) at Watford. The project, funded by Willmott Dixon and key supply chain partners, models a full size section of how a carbon neutral school can be delivered affordably. 10,000 people have visited the showcase school at BRE and recently Manchester City Council has commissioned Construction to build the St Agnes Primary School, replicating our Re-Thinking technology and turning a vision and concept into reality.

These and many other unique service features continue to make Willmott Dixon 'stand out from the crowd'.

The Flex 5 commercial development in Kings Hill, Kent.

Rick Willmott and Head of HR Chrissie Chadney at Trainee of the Year, an important annual event that allows Willmott Dixon to recognize the important contribution made by its trainee managers to the business.

People and Culture Matters

How our staff feel about our company has a strong influence over business performance, both now and in the future

I am therefore delighted that, at our first attempt, we have been listed in the annual Sunday Times Best 100 Companies, placed 31st in the top mid-sized companies league. This is a fantastic achievement as the 100 Best Companies include all sectors of UK business. As a business we scored highly on training, on being a company that supported 'personal growth', a company run on 'sound moral principles' and very importantly we achieved the eighth highest score out of all companies for our commitment to protecting the environment.

This final point is fundamental and feeds into the evolution of our published corporate aspirations for culture and basic beliefs. These have recently been republished and include a number of key features focused on sustainability, recognising this theme as a vital thread of our strategy for the future. To underline our intentions we are finalising an interactive training programme, available to all staff, which details our approach and our commitment to sustainable development. We believe that 'sustainability' creates one of the most significant opportunities for our business to create further differentiation between us and our competitors.

Health and Safety culture remains an area of constant focus with a strong 'central' inspection resource ensuring compliance across the business coupled with dedicated safety management situated within every LCO. Our inspection scheme, our awards programme, our co-ordinated approach to training and the commitment from the board give us a good platform from which to continue to improve our overall performance. In real terms our accident frequency ratio has decreased by 18% through the year and our accident incidence rate down by 11%. Of course we can only continue to improve health and safety performance with the support of our supply chain partners. One way in which this can be monitored is a quarterly audit of their commitment to moving towards employing a workforce where all those engaged on our sites carry a Construction Skills Certification Scheme card. Our most recent audit recorded 94.9% compliance with this aspiration.

What the Future Holds

This is the final glossy Group Report and Accounts document to be published by Willmott Dixon Limited. Future Group Report and Accounts will be prepared by the new parent company Willmott Dixon Holdings Limited. Holdings and its subsidiaries are known collectively as Willmott Dixon Group. To coincide with this change we have chosen to create a new brand style for all Group companies bearing the Willmott Dixon name. The new logo is intended to be a strong and modern evolution of the previous version, which has served us well for approaching twenty years.

Of course central to our aspirations for the future of Willmott Dixon Group has been the re-acquistion of Inspace early in 2008. Shareholders will recall that the Willmott Dixon board believed that Inspace's future would be better served away from the Stock Market and fully re-integrated with this company. I believe the ongoing unpredictability in the credit and equities markets worldwide serves to confirm that assessment.

Since the acquisition was declared 'wholly unconditional' we have been working hard to integrate the central support teams of both businesses, to align practices, to provide clarity and to create the catalyst for efficiency improvements. Ultimately our central teams have a responsibility to their internal customers to provide a range of specific services to ensure that the Group operates at optimum efficiency. We are striving to achieve that aspiration at the earliest juncture.

Clockwise from top left, Willmott Dixon Group's exciting new logo; giving pupils an insight into the construction industry; Inspace becomes Willmott Dixon Group's specialist provider of social and affordable housing; Inspace general manager Simon Roberts with his team at the newly won contract with Phoenix Community Housing in Lewisham.

Willmott Dixon prides itself on being a community player. As well as involving local people whenever possible in its projects, staff from across the country also organised or took part in events that raised thousands of pounds for good causes.

The acquisition of Inspace in 2008, together with that of Rock in 2007 and combined with our Willmott Dixon companies now provides a diverse and broad based business capable of sustainable growth and achievement.

Colin has already mentioned the internal company transfers that will take place during the year. The output of these changes will establish, very clearly, the services offered by the Group.

Willmott Dixon – will provide public and private sector customers with an extensive range of services including:

- Willmott Dixon Construction, capital works construction nationwide
- Willmott Dixon Maintain, specialist fabric and M&E maintenance nationwide
- Kanvas, turnkey interior design and fit out
- Re-Thinking, sustainability focused consultancy

Inspace – becomes a housing and homes specialist

- Inspace Partnerships, regenerating, improving and maintaining social housing, predominantly for registered social landlords (RSLs)
- Inspace Homes, 'entry level' new homes for sale, often in partnership with RSLs

Rock – will provide the Group with investment opportunities

- Rock Project Investments, project assembly and PFI equity investment
- Rock Project Developments, value creation from existing land assets

Each of these headline businesses operate in a number of established market sectors, with medium term workload visibility. We anticipate turnover in the current year to pass the £800 million barrier with £1 billion turnover as a realistic target by 2010. Shareholders should rest assured that growth will be controlled and not at the expense of margin.

Willmott Dixon completed phase one of SciTec at Oundle School. SciTec aims to be one of the UK's best facilities for teaching sciences, art, design and technology.

Haringey Sixth Form Centre, the UK's first higher education facility to be completed under the BSF programme.

Summary

There is, as ever, much to do to deliver absolute performance from the aspirations we have for the Group and I sense a change in the level of expectation that our shareholders have for the business. I remain confident in the whole team's ability to deliver.

The Group is privileged to benefit from Colin Enticknap's strategic brilliance and intellectual input as he moves back into the full time role with Willmott Dixon as Group Chairman and I am immensely grateful, both as a colleague and as a shareholder, for his vital contribution.

I am certain that, despite the uncertainties of the market and the economy, this company has all the ingredients required to remain confident and able to successfully perform both now and in the future.

Rick Willmott

Building for the Future... Rick Willmott and Head of HR Chrissie Chadney with 2007's intake of trainee managers.

Loughborough Courthouse, one the most impressive civic buildings to be constructed in the Midlands and a smart new facility for Her Majesty's Court Service in the region.

The Directors submit their report with the audited accounts for the year ended 31 December 2007.

Results

The Group profit for the year, before taxation amounted to £10,145,000. The tax charge in respect of this result is £3,406,000.

Dividends in respect of the Year

Two interim dividends in respect of the 2007 year were paid of 12.0 pence per share on 28 August 2007 and 16.0 pence per share on 27 November 2007.

A third interim dividend of 20.0 pence per share was paid on 29 February 2008. On 17 January 2008, the Directors declared the payment of a fourth interim dividend of 22.0 pence per share to be paid on 30 May 2008.

Review of the Business and Future Developments

A general review of the Group's activities and future prospects are included in the Group Chairman's Statement on pages 8 to 11 and the Chief Executive Officer's Report on pages 12 to 28.

Directors and their Interests

The current Directors are listed on page 6. The Directors' interests in the share capital of the Company and its subsidiary companies are disclosed in note 26.

John Frankiewicz was appointed to the Board of Directors on 1 January 2007.

Donations

The Group made donations in the year to charities amounting to £23,267 (2006 £17,508).

Financial Instruments

The Company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

Disclosure of information to auditors

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

By Order of the Board
Wendy McWilliams 24 April 2008
Secretary

Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

We have audited the Group and Parent Company financial statements ('the financial statements') of Willmott Dixon Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

PKF (UK) LLP
Registered Auditors
London, UK

25 April 2008

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 December 2007 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' report is consistent with the financial statements.

Year ended 31 December 2007

	Notes	2007 £000	2006 £000 restated
Turnover: Group and share of associates and joint venture	2	**413,450**	383,061
Less: share of associates		**(33,057)**	(16,587)
Less: share of joint venture		**–**	(7,154)
Group turnover		**380,393**	359,320
Cost of sales		**(349,339)**	(326,383)
Gross profit		**31,054**	32,937
Administrative expenses		**(24,973)**	(27,905)
Operating profit		**6,081**	5,032
Net interest receivable	3	**3,711**	2,885
Operating profit and interest		**9,792**	7,917
Share of operating profit of associates		**416**	793
Share of operating profit of joint venture		**–**	204
Exceptional profit on sale of subsidiary	13	**–**	39,334
Profit on partial sale of subsidiaries	13	**110**	–
		10,318	48,248
Share of net interest payable of associates		**(173)**	(48)
Profit on ordinary activities before taxation	4	**10,145**	48,200
Tax on profit on ordinary activities	7	**(3,406)**	(2,183)
Profit on ordinary activities after taxation		**6,739**	46,017
Minority interests		**(79)**	(349)
Profit for the financial period		**6,660**	45,668
Earnings per share	8	**157.7p**	1,102.5p
Fully diluted earnings per share	8	**148.5p**	1,074.7p

The above figures relate exclusively to continuing operations.

A statement of total recognised gains and losses is shown on page 39.

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.

Group Balance Sheet

As at 31 December 2007

	Notes	2007 £000	2007 £000	2006 £000 restated	2006 £000 restated
Fixed assets					
Goodwill	10		**1,805**		–
Tangible assets	11		**1,587**		1,092
Investments	12		**19,194**		2,373
			22,586		3,465
Current assets					
Stocks	14	**2,062**		2,147	
Debtors	15	**35,195**		31,466	
Investments	16	**4,710**		4,819	
Cash and bank balances	28	**68,597**		52,503	
		110,564		90,935	
Creditors: amounts falling due within one year	17	**103,742**		71,248	
Net current assets			**6,822**		19,687
Total assets less current liabilities			**29,408**		23,152
Creditors: amounts falling due after one year	18		**(1,016)**		–
Provisions for liabilities and charges	19		**(869)**		(279)
			27,523		22,873
Capital and reserves					
Called up share capital	21		**4,500**		4,331
Share premium account	22		**2,083**		1,206
Capital reserve	22		**1,114**		1,114
Employee share trust reserve	22		**(1,548)**		(562)
Profit and loss account	22		**21,374**		16,784
Equity shareholders' funds			**27,523**		22,873
Minority equity interests			**–**		–
			27,523		22,873

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2008 and were signed on its behalf by:

Colin Enticknap Group Chairman

As at 31 December 2007

	Notes	2007 £000	2007 £000	2006 £000 restated	2006 £000 restated
Fixed assets					
Tangible assets	11		**429**		302
Investments	12		**21,091**		4,547
			21,520		4,849
Current assets					
Debtors	15	**8,383**		7,534	
Investments	16	**4,710**		4,819	
Cash and bank balances	28	**68,583**		52,483	
		81,676		64,836	
Creditors: amounts falling due within one year	17	**74,804**		46,533	
Net current assets			**6,872**		18,303
Total assets less current liabilities			**28,392**		23,152
Provisions for liabilities and charges	19		**(869)**		(279)
			27,523		22,873
Capital and reserves					
Called up share capital	21		**4,500**		4,331
Share premium account	22		**2,083**		1,206
Revaluation reserve	22		**5**		5
Employee share trust reserve	22		**(1,548)**		(562)
Profit and loss account	22		**22,483**		17,893
			27,523		22,873

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2008 and were signed on its behalf by:

Colin Enticknap Group Chairman

Group Cash Flow

Statement for the year ended 31 December 2007

	Notes	**2007 £000**	2006 £000 restated
Cash flow from operating activities	28	**34,703**	12,127
Dividend from associate	28	**284**	198
Returns on investments and servicing of finance	3, 28	**3,711**	2,885
Taxation	28	**(1,297)**	(2,315)
Capital expenditure and financial investment	28	**(2,873)**	(708)
Acquisitions and disposals	10, 12, 13, 28	**(16,540)**	26,237
Equity dividends paid	9, 28	**(2,070)**	(38,835)
Cash flow before use of liquid resources and financing		**15,918**	(411)
Management of liquid resources	28	**109**	(5)
Financing	28	**67**	(439)
Increase/(Decrease) in cash		**16,094**	(855)
Reconciliation of net cash flow to movement in net funds			
Increase/(Decrease) in cash		**16,094**	(855)
Decrease in short term borrowing	28	**–**	990
(Decrease)/Increase in current asset investments		**(109)**	5
Movement in net funds		**15,985**	140
Net funds at 1 January 2007		**57,322**	57,182
Net funds at 31 December 2007		**73,307**	57,322

	Notes	**2007 £000**	2006 £000 restated
Statement of total recognised gains and losses			
Profit for the financial period		**6,660**	45,668
Share of premium on issue of new share capital by associate		**–**	807
Share of capital reserve movement of associate		**–**	(156)
Total recognised gains and losses for the financial period		**6,660**	46,319
Prior year adjustments		**(5,066)**	–
		1,594	46,319

	Notes	**2007 £000**	2006 £000 restated
Reconciliation of movements in shareholders' funds			
Total recognised gains and losses for the financial period		**6,660**	46,319
Issue of new share capital		**169**	161
Premium on issue of new share capital		**877**	678
Movement on employee share trust reserve		**(986)**	(562)
Ordinary dividends	9	**(2,070)**	(2,769)
Special dividend	9	**–**	(36,066)
Dividend in specie	9	**–**	(8,638)
Movements in shareholders' funds		**4,650**	(877)
Shareholders' funds at 1 January 2007 as originally reported		**27,939**	23,750
Prior year adjustments		**(5,066)**	–
Shareholders' funds at 1 January 2007 as restated		**22,873**	23,750
Shareholders' funds at 31 December 2007		**27,523**	22,873

1 Accounting policies

a) Accounting convention

The accounts are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards.

b) Basis of consolidation

The Group accounts consolidate the accounts of Willmott Dixon Limited and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Acquisitions are accounted for under the acquisition method. Provision is made against minority interests in subsidiaries with net liabilities. Willmott Dixon Limited has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

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

c) Tangible Fixed Assets

Fixed assets are stated at historical cost less depreciation.

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

Freehold and long leasehold buildings – 2%.

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

Computer equipment – between 25% and 50%.

Plant and equipment – 25%.

Furniture and fittings – 10%.

d) Stocks

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

e) Amounts recoverable on contracts

Turnover and profit on 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.

f) Investments

Parent company investments in subsidiary undertakings and associated undertakings are carried at net asset value to reflect the value of assets consolidated for Group purposes.

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

Other current asset investments are stated at cost.

g) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. Deferred tax is not discounted.

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

h) Leased assets

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

i) Research and development

Research and development expenditure is written off as it is incurred.

j) Prior Year Adjustments

The Group's holding in Inspace Limited (previously Inspace Plc) is classified wholly as an investment in associate within fixed assets on the balance sheet to reflect the long term nature of this holding, and the Group's share of results of the associate is calculated accordingly. In previous years' financial statements, part of the holding was incorrectly shown within current asset investments. The comparative figures have been adjusted to correct the classification and the resultant share of the associate's results. The principal effect of this adjustment is to increase the investment in associate by £5,913,000 at 31 December 2006, to increase group profit for that year by £39,000 and to increase reserves at that date by £369,000.

The exceptional profit on sale of subsidiary to an associated company in 2006 has been restated to take account of the elimination of profit to the extent that the Group retained an interest in the associate at the date of sale. The effect of this adjustment is to reduce the exceptional profit on sale, to reduce the investment in associate and consequently reduce reserves by £4,873,000 at 31 December 2006.

During the period, the Company has also adopted UITF38 in respect of its Employee Share Trust scheme. The cost of own shares held by the Employee Share Trust is shown as a deduction from shareholders' funds. Earnings per share is calculated on the net shares in issue. The principal effect of this adjustment is to reduce debtors by £502,000 and reduce reserves by £562,000 at 31 December 2006.

(Continued)

2 Turnover is the aggregate of all invoiced external sales adjusted for amounts recoverable on contracts and work-in-progress at the beginning and end of the year, stated net of value added tax.

3 Net interest receivable

	2007 £000	2006 £000
Interest received	**3,711**	2,885

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

		2007 £000	2006 £000
Depreciation on owned assets		**763**	860
Loss on disposal of tangible assets		**6**	1
Amortisation of goodwill		**164**	78
Operating lease rentals	- land and buildings	**1,291**	1,475
	- other rentals	**1,345**	1,131
Directors' remuneration (see note 6)		**2,047**	3,669
Auditors' remuneration	- for parent company audit services	**20**	15
	- for subsidiary company audit services	**42**	58
	- for taxation services	**28**	29
	- for corporate finance services	**–**	35
	- for other services	**–**	68

(Continued)

5 Employees

	2007 No.	2006 No.
The average weekly number of employees, excluding Directors, during the year was made up as follows:		
Office and administration	**225**	263
Site and production	**479**	539
	704	802

	£000	£000
Staff costs during the year amounted to:		
Wages and salaries	**30,284**	31,793
Incentive payments to staff	**3,546**	4,336
Social security costs	**4,039**	4,645
	37,869	40,774

6 Directors' remuneration

	2007 £000	2006 £000
Fees	**250**	192
Emoluments	**286**	201
Profit share payments to Directors	**1,511**	3,276
	2,047	3,669

The remuneration of the highest paid Director was £817,904 (2006: £1,906,966).

(Continued)

7 Taxation

	2007 £000	2006 £000 restated
a) Analysis of charge:		
Current tax		
Corporation tax at 30% (2006: 30%)	**3,254**	1,796
Adjustments in respect of previous periods	**(82)**	(50)
Share of tax of associate	**297**	293
Share of tax of joint venture	**–**	52
	3,469	2,091
Deferred tax		
Origination and reversal of timing differences	**(65)**	92
Effect of reduced rate on opening asset	**2**	–
	3,406	2,183

b) Factors affecting tax charge for year

The profit on sale of subsidiary in 2006 attracts no tax charge due to the availability of substantial shareholding exemption relief.

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £000	2006 £000 restated
Profit on ordinary activities before tax (excluding profit on sale of subsidiary in 2006)	**10,145**	5,805
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006: 30%)	**3,044**	1,742
Expenses not deductible for tax purposes	**393**	304
Amortisation of goodwill	**49**	79
Capital allowances for year less than depreciation	**68**	30
Lower rates on earnings	**(3)**	(14)
Adjustments in respect of previous periods	**(82)**	(50)
Current tax	**3,469**	2,091

c) Factors that may affect future tax charges

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

8 Earnings per share

Basic earnings per share have been calculated by dividing the profit for the financial period of £6,660,000 (2006: £45,668,000) by 4,223,475 (2006: 4,142,222) ordinary shares, being the weighted average number in issue during the year.

The fully diluted earnings per share is based on 4,483,840 (2006: 4,249,189) ordinary shares having taken into account the dilutive effect of shares available for disposal to employees under existing employee incentive schemes.

9 Dividends

	2007 Pence per share	2006 Pence per share	**2007 £000**	2006 £000
Ordinary Dividends				
February	**10.0**	22.0	**422**	905
May	**11.0**	27.0	**465**	1,109
August	**12.0**	9.0	**507**	375
November	**16.0**	9.0	**676**	380
			2,070	2,769
Other Dividends				
Special Dividend	**–**	865.0	**–**	36,066
Dividend in Specie			**–**	8,638
			–	44,704

The trustee of the Willmott Dixon Limited Employee Share Trust has waived the right to receive all dividends.

A further dividend of 20.0 pence per share was paid on 29 February 2008. On 17 January 2008, the Directors declared the payment of a fourth interim dividend of 22.0 pence per share to be paid on 30 May 2008.

The dividend in specie relates to the distribution of shares in Inspace Limited received as part of the consideration on the sale of Widacre Limited on 31 August 2006.

(Continued)

10 Goodwill

	2007 £000
Group	
Cost	
1 January 2007	–
Acquisition of subsidiary company (see note 28)	**1,969**
31 December 2007	**1,969**
Amortisation	
1 January 2007	–
Charge for the year	**164**
31 December 2007	**164**
Net book value	
31 December 2007	**1,805**
31 December 2006	–

On 2 March 2007, the Group acquired the entire issued share capital of Rock Project Investments Limited (formerly Rock Consulting Limited). Total consideration amounted to £1,993,000. The profit after taxation of the acquired group from 1 January 2007 to 2 March 2007 was £18,000 (1 January to 31 December 2006 £63,000).

Goodwill on the acquisition is being amortised over 10 years which is the Directors' best estimate of its useful economic life.

The acquisition is not considered significant under FRS3 Reporting Financial Performance in respect of separate disclosure of the acquired business on the face of the profit and loss account.

11 Tangible assets

	Land and buildings £000	Computer equipment £000	Plant and equipment £000	Furniture and fittings £000	**2007 Total £000**
Group					
Cost					
1 January 2007	861	2,548	569	414	**4,392**
Acquisition of subsidiary	–	40	28	–	**68**
Additions	222	819	70	152	**1,263**
Disposals	–	(1,146)	(43)	(7)	**(1,196)**
31 December 2007	1,083	2,261	624	559	**4,527**
Depreciation					
1 January 2007	524	2,200	393	183	**3,300**
Acquisition of subsidiary	–	39	28	–	**67**
Depreciation in the year	161	475	89	38	**763**
Eliminated on disposals	–	(1,140)	(43)	(7)	**(1,190)**
31 December 2007	685	1,574	467	214	**2,940**
Net book value					
31 December 2007	398	687	157	345	**1,587**
31 December 2006	337	348	176	231	**1,092**

	2007 £000	2006 £000
The Group net book value of land and buildings of £398,000 comprises:		
Freehold land and buildings	**15**	15
Short leasehold land and buildings	**383**	322
	398	337

(Continued)

11 Tangible assets (continued)

	Short leasehold land and buildings £000	Computer equipment £000	Plant and equipment £000	Furniture and fittings £000	**2007 Total £000**
Parent Company					
Cost					
1 January 2007	387	1,169	77	164	**1,797**
Additions	–	375	–	–	**375**
Transfers from subsidiary companies	–	134	16	5	**155**
Transfers to subsidiary companies	–	(75)	(8)	(3)	**(86)**
Disposals	–	(922)	(1)	(5)	**(928)**
31 December 2007	387	681	84	161	**1,313**
Depreciation					
1 January 2007	252	1,095	59	89	**1,495**
Depreciation in the year	53	183	10	12	**258**
Transfers from subsidiary companies	–	111	15	3	**129**
Transfers to subsidiary companies	–	(62)	(8)	(2)	**(72)**
Eliminated on disposals	–	(920)	(1)	(5)	**(926)**
31 December 2007	305	407	75	97	**884**
Net book value					
31 December 2007	82	274	9	64	**429**
31 December 2006	135	74	18	75	**302**

(Continued)

12 Investments

	Group	Parent Company		
	Associated companies £000	Subsidiary companies £000	Associated company £000	**Total £000**
Shares at Cost				
At 1 January 2007 as originally reported	**1,333**	3,520	1,333	**4,853**
Prior year adjustments	**1,040**	–	4,278	**4,278**
At 1 January 2007 as restated	**2,373**	3,520	5,611	**9,131**
Additions	**3,325**	168	15,582	**15,750**
Goodwill acquired	**12,121**	–	–	**–**
Profit for the year	**205**	–	–	**–**
Amortisation of goodwill	**(260)**	–	–	**–**
Dividends received	**(284)**	–	–	**–**
31 December 2007	**17,480**	3,688	21,193	**24,881**
Loans				
1 January 2007	**–**	–	–	**–**
Additions	**1,714**	–	1,610	**1,610**
31 December 2007	**1,714**	–	1,610	**1,610**
Provisions				
1 January 2007 as originally reported	**–**	(1,346)	–	**(1,346)**
Prior year adjustments	**–**	–	(3,238)	**(3,238)**
At 1 January 2007 as restated	**–**	(1,346)	(3,238)	**(4,584)**
Additions	**–**	(625)	(191)	**(816)**
31 December 2007	**–**	(1,971)	(3,429)	**(5,400)**
Total investments				
31 December 2007	**19,194**	1,717	19,374	**21,091**
31 December 2006	**2,373**	2,174	2,373	**4,547**

Goodwill of £12,121,000 arose on the purchase of shares in an associated company on 24 December 2007. The cost of acquisition was £15,582,000 and the share of net assets acquired was £3,461,000.

The list of principal subsidiary and associated companies is set out on page 61.

(Continued)

13 Disposal of subsidiary

On 1 January 2006, Willmott Dixon Limited's interest in Willmott Dixon Housing Limited was acquired by Widacre Limited, a group company. On 31 August 2006, Willmott Dixon Limited's interest in Widacre Limited was acquired by Inspace Limited.

In 2007, certain subsidiary companies issued new share capital to minority shareholders resulting in a profit arising on the deemed partial disposal of those group interests.

14 Stocks

	Group	
	2007 £000	2006 £000
Work-in-progress	**2,062**	2,147

15 Debtors

	Group		Parent Company	
	2007 £000	2006 £000 restated	**2007 £000**	2006 £000 restated
Amounts falling due within one year:				
Trade debtors	**20,961**	17,787	**190**	399
Amounts recoverable on contracts	**12,120**	10,079	**–**	–
Amounts due from subsidiary companies	**–**	–	**6,744**	4,401
Corporation tax debtor	**–**	280	**–**	304
Other debtors	**787**	880	**757**	849
Prepayments	**1,128**	2,329	**518**	1,470
	34,996	31,355	**8,209**	7,423
Amounts falling due after more than one year:				
Deferred tax asset (note 20)	**199**	111	**174**	111
	35,195	31,466	**8,383**	7,534

(Continued)

16 Investments – current assets

	Group 2007 £000	Group 2006 £000 restated	Parent Company 2007 £000	Parent Company 2006 £000 restated
Other investments	**4,710**	4,819	**4,710**	4,819

17 Creditors: amounts falling due within one year

	Group 2007 £000	Group 2006 £000 restated	Parent Company 2007 £000	Parent Company 2006 £000 restated
Trade creditors	**67,801**	45,801	**87**	32
Amounts due to subsidiary companies	**–**	–	**65,118**	38,283
Payments on account	**21,313**	13,640	**–**	–
Current corporation tax	**1,623**	–	**1,599**	–
Other taxes and social security costs	**3,778**	4,149	**3,778**	4,221
Accruals	**9,227**	7,658	**4,222**	3,997
	103,742	71,248	**74,804**	46,533

18 Creditors: amounts falling due after one year

	Group 2007 £000	Group 2006 £000
Deferred consideration for acquisition	**1,016**	–

The estimated deferred consideration relates to the acquisition of Rock Project Investments Limited. It is payable in a number of instalments and will be dependent on the number and value of projects achieving financial close in each year until 2011.

(Continued)

19 Provisions for liabilities and charges

	2007 £000
Group and Parent Company	
1 January 2007	**279**
Transferred to profit and loss account	**590**
31 December 2007	**869**

The provision at 31 December 2006 relates to redundant premises and is expected to be utilised over a period of approximately 8 years.

20 Deferred tax

	Group 2007 £000	Parent Company 2007 £000
1 January 2007	**111**	**111**
Transfer from profit and loss account	**63**	**63**
Acquisition of subsidiary	**25**	**–**
31 December 2007	**199**	**174**
The deferred tax asset comprises:		
Accelerated capital allowances	**89**	**89**
Tax losses carried forward	**110**	**85**
	199	**174**

21 Called up share capital

	2007 £000	2006 £000
Ordinary shares of £1 each		
Authorised	**5,000**	5,000
Allotted, called up and fully paid	**4,500**	4,331

During the year 168,525 ordinary shares of £1 each were issued at a premium of £877,000. The shares were primarily issued for future disposal to employees under existing employee incentive schemes.

(Continued)

22 Reserves

	Share premium account £000	Capital reserve £000	Employee Share Trust reserve £000	Profit and loss account £000
Group				
1 January 2007 as originally reported	**1,206**	**803**	**–**	**21,599**
Prior year adjustments	–	311	(562)	(4,815)
1 January 2007 as restated	**1,206**	**1,114**	**(562)**	**16,784**
Profit for the financial period	–	–	–	6,660
Movement on employee share trust reserve	–	–	(986)	–
Ordinary dividends	–	–	–	(2,070)
Premium on issue of new share capital	877	–	–	–
31 December 2007	**2,083**	**1,114**	**(1,548)**	**21,374**

	Share premium account £000	Revaluation reserve £000	Employee Share Trust reserve £000	Profit and loss account £000
Parent Company				
1 January 2007 as originally reported	**1,206**	**1,272**	**–**	**21,130**
Prior year adjustments	–	(1,267)	(562)	(3,237)
1 January 2007 as restated	**1,206**	**5**	**(562)**	**17,893**
Profit for the financial period	–	–	–	6,660
Movement on employee share trust reserve	–	–	(986)	–
Ordinary dividends	–	–	–	(2,070)
Premium on issue of new share capital	877	–	–	–
31 December 2007	**2,083**	**5**	**(1,548)**	**22,483**

The Employee Share Trust holds shares on behalf of senior management. Once certain performance criteria have been met, the shares may then be purchased by management. The shares held by the Employee Share Trust are carried at cost and shown as a reduction to reserves in the Employee Share Trust Reserve. At 31 December 2007, the employee share trust held 276,525 shares (2006 108,000 shares).

(Continued)

23 Profit attributable to members of the Parent Company

	2007 £000	2006 £000
Dealt with in the accounts of the Parent Company	**6,660**	47,050

24 Group leasing commitments

	2007 £000	2006 £000
Obligations under operating leases at 31 December 2007 were as follows:		
Land and buildings:		
Commitments payable within one year under leases expiring:		
Within one year	**179**	–
Within two to five years	**306**	415
After five years	**727**	605
	1,212	1,020
Other leases:		
Commitments payable within one year under leases expiring:		
Within one year	**593**	224
Within two to five years	**768**	956
After five years	**4**	2
	1,365	1,182

25 Group Guarantees

The Parent 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 Parent Company and its subsidiary companies are also party to multi-lateral cross guarantees given to various sureties that have issued performance bonds in favour of clients of subsidiary companies in respect of construction contracts entered into in the normal course of business.

The Parent Company and its subsidiary companies have 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.

26 Related party transactions and Directors' interests

The list of principal subsidiaries, associated companies and joint ventures is set out on page 61. The Group's related party transactions with its joint ventures and associates are summarised below:

	2007 £000	2006 £000
Joint Venture Companies		
Sales to Tredegar Development Company Limited	**–**	7,185
Sales to T3B Development Company Limited	**–**	899

	2007 £000	2006 £000
Associated Companies		
Sales to and interest received from Inspace Limited	**4,051**	430
Amounts due from Inspace Limited	**2,581**	193
Purchases from Inspace Limited	**84**	14
Amounts due to Inspace Limited	**4**	5
Sales to and interest received from Building Better Health Services Limited	**544**	–
Amounts due from Building Better Health Services Limited	**366**	–

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

(Continued)

26 Related party transactions and Directors' interests (continued)

The Directors who held office at 31 December 2007 had the following interests in the share capital of subsidiary companies:

	Ordinary £1 shares **2007**	Ordinary £1 shares 2006
Interests in Willmott Dixon Developments Limited		
Colin Enticknap	**7,500**	–
Rick Willmott	**7,500**	–
Interests in Willmott Dixon Public Private Investments Limited		
Colin Enticknap	**7,500**	–
Rick Willmott	**7,500**	–

The Directors who held office at 31 December 2007 had the following interests in the share capital of the Company:

	Ordinary £1 shares **2007**	Ordinary £1 shares 2006
Interests in Willmott Dixon Limited		
Steven Dixon	**175,000**	175,000
Colin Enticknap	**110,000**	110,000
John Frankiewicz	**58,000**	58,000
Sir Michael Latham	**25,000**	25,000
Rick Willmott	**641,284**	641,284

The Directors received dividends in accordance with their shareholdings in Willmott Dixon Limited.

27 Post Balance Sheet events

On 17 January 2008, Willmott Dixon Limited acquired the remaining 79.242% of the ordinary share capital of Inspace Limited for £117,500,000. The net assets acquired were £26,223,000.

The acquisition was partly funded by external borrowing, although no amounts had been drawn down by 31 December 2007. The facilities utilised for this acquisition total £55,313,400 and comprise a term loan facility (£23,299,500) and a bridging loan facility (£32,013,900). The final repayment date for these facilities is 31 December 2012, although the bridging loan was repaid in full on 5 March 2008.

Various group companies are party to a guarantee and debenture in favour of the lender in respect of these facilities.

On 17 January 2008, Willmott Dixon Limited became a wholly owned subsidiary of Willmott Dixon Holdings Limited. On 17 March 2008 Willmott Dixon Limited transferred its interest in Inspace Limited, and novated the external borrowing facilities, to Willmott Dixon Holdings Limited.

In April 2008, the Company was named by the Office of Fair Trading in relation to their continuing investigation into tendering practices within the construction industry. The consequences for the Company (if any) of this continuing investigation can not at this stage be quantified.

28 Notes to the cash flow statement

	2007 £000	2006 £000 restated
Reconciliation of operating profit to net cash flow from operating activities		
Group operating profit	**6,081**	5,032
Depreciation charges	**763**	860
Amortisation of goodwill	**164**	78
Loss on sale of tangible fixed assets	**6**	1
Movement in redundant premises provision	**590**	51
Movement in working capital balances:		
Decrease in stocks	**85**	10
Increase in debtors	**(3,715)**	(12,753)
Increase in creditors	**30,729**	18,848
Net cash flow from operating activities	**34,703**	12,127

(Continued)

28 Notes to the cash flow statement (continued)

	2007 £000	2006 £000
Returns on investments and servicing of finance		
Interest received	**3,711**	2,885
Taxation		
Corporation tax paid	**(1,297)**	(2,315)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,263)**	(710)
Sale of tangible fixed assets	**–**	2
Loans made to associated company	**(1,610)**	–
	(2,873)	(708)

	2007 £000	2006 £000 restated
Acquisitions and Disposals		
Disposal of Widacre Limited	**–**	26,367
Acquisition of Rock Project Investments Limited	**(958)**	–
Acquisition of interest in associate	**(15,582)**	(130)
	(16,540)	26,237

28 Notes to the cash flow statement (continued)

Acquisition of Rock Project Investments Limited	Book Value £000	Adjustments £000	**Fair Value £000**
Fixed Assets			
Tangible Fixed Assets	1		**1**
Loan to associated company	104		**104**
Share of net assets of associated company	(136)		**(136)**
	(31)		**(31)**
Current Assets			
Debtors	207	25	**232**
Cash	19		**19**
	226		**251**
Current Liabilities			
Creditors	(196)		**(196)**
Net Current Assets	30		**55**
Net Assets	(1)		**24**
Goodwill acquired			**1,969**
			1,993
Satisfied by:			
Cash			**977**
Deferred and contingent consideration			**1,016**
			1,993

The fair value adjustment related to a deferred tax asset in respect of unrelieved losses.

	£000
Analysis of the net cashflows in respect of the acquisition of subsidiary:	
Cash consideration	**977**
Less: cash at bank of subsidiary	**(19)**
Net cash outflow from acquisition	**958**

(Continued)

28 Notes to the cash flow statement (continued)

	2007 £000	2006 £000
Equity dividends paid		
Ordinary dividends	**(2,070)**	(2,769)
Special dividend	**–**	(36,066)
	(2,070)	(38,835)

	2007 £000	2006 £000 restated
Management of liquid resources		
Purchase of short term investments	**–**	(5)
Sale of short term investments	**109**	–
	109	(5)

	2007 £000	2006 £000 restated
Financing		
Issue of ordinary share capital	**36**	551
Issue of share capital to minority shareholders	**31**	–
Repayment of external borrowing	**–**	(990)
	67	(439)

	1 January 2007 £000	Cash flow £000	Non-cash changes £000	31 December 2007 £000
Analysis of net funds				
Cash and bank balances	52,503	16,094	–	**68,597**
Liquid resources:				
Current asset investments as originally reported	10,364			
Prior year adjustments	(5,545)			
Current asset investments as restated	4,819	(109)	–	**4,710**
	57,322	15,985	–	**73,307**

The cash and bank balances at 31 December 2007 include £55,532,000 which was held in escrow at the year end for the purpose of the acquisition of shares in Inspace Limited (see note 27).

(Continued)

Principal Subsidiary Companies

Name	*Main Activity*	*% Holding*
Willmott Dixon Construction Limited*	General design and build	100%
Willmott Dixon Developments Limited*	Property development	85%
Willmott Dixon Public Private Investments Limited*	Developing, managing and investing in the public private partnership sector	83.75%
Rock Project Investments Limited	Developing, managing and investing in the public private partnership sector	83.75%

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

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

All subsidiary companies are registered in England and Wales.

Associated Companies

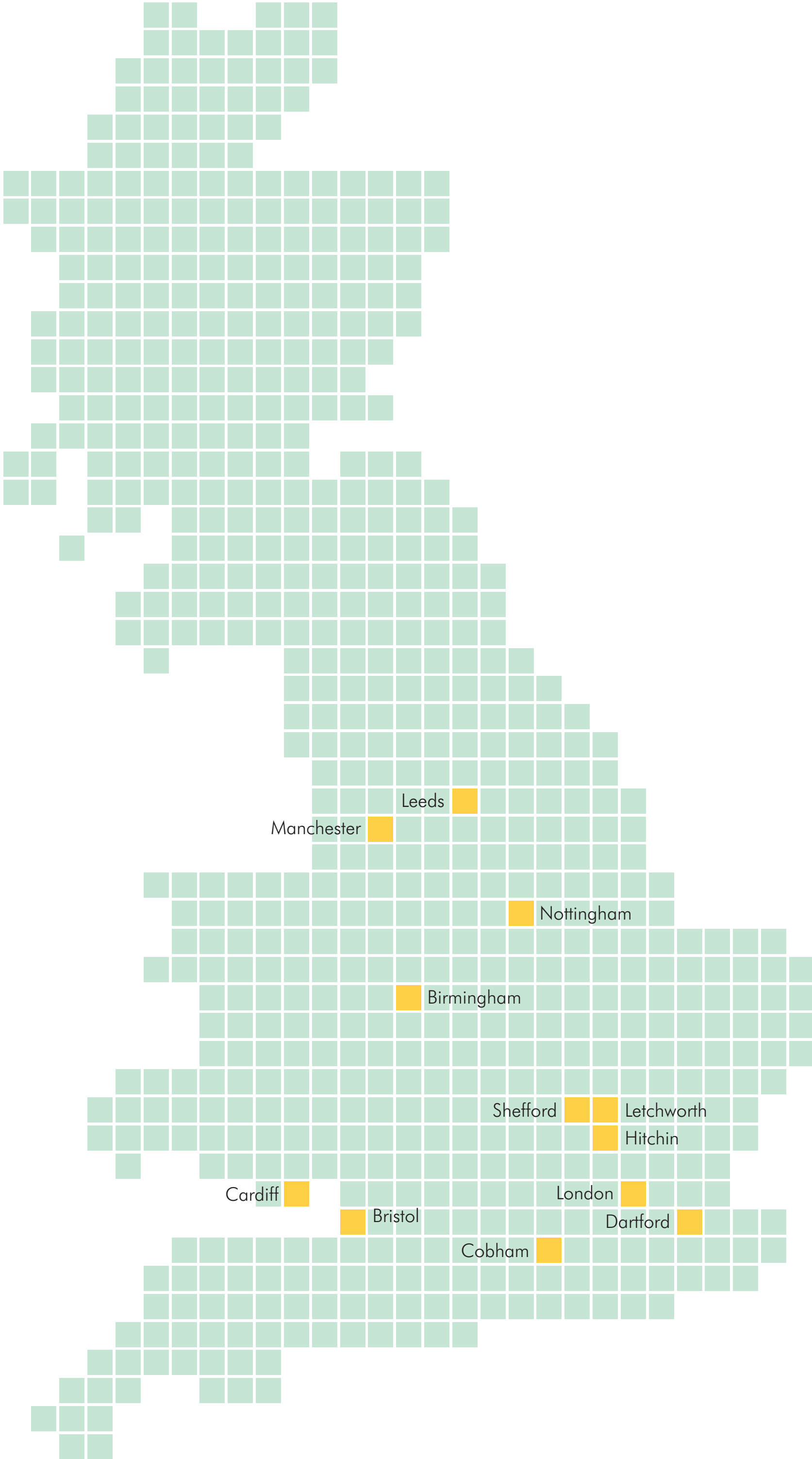
Name	*Main Activity*	*% Holding*
Inspace Limited	Social housing, affordable housing and property maintenance	20.758%
Building Better Health Services Limited	Supply chain management in the public private partnership sector for health projects	41.038%

The associated companies above are registered in England and Wales.

(Continued)

Further information about these associated companies for the year ended 31 December 2007 is summarised below:

	Inspace Limited £000	Building Better Health Services Limited £000
Turnover	317,810	665
Fixed Assets	60,031	–
Current Assets	58,268	316
Creditors: amounts falling due within one year	(66,831)	(684)
Creditors: amounts falling due after one year	(18,376)	(212)


Leeds
Manchester
Nottingham
Birmingham
Shefford
Letchworth
Hitchin
Cardiff
London
Bristol
Dartford
Cobham

Registered Office: Spirella 2, Icknield Way, Letchworth Garden City, Hertfordshire, SG6 4GY
Telephone: 01462 671852 Fax: 01462 681852 Web: **www.willmottdixongroup.co.uk**