
WILLMOTT DIXON LIMITED
GROUP REPORT AND ACCOUNTS
YEAR ENDED 31 DECEMBER 2020
Registered Number: 05922246

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Group Chairman

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Group Chief Executive

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Mike Hart, FCIOB
Wendy McWilliams, LLB, ACIS
John Waterman, MCIOB
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Jonathon Porritt, CBE
Christopher Sheridan, FCIB, MSI
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WILLMOTT DIXON LIMITED
Summary of Group Results

	2020	2019
	£000	£000
Turnover	1,191,556	1,246,373
Profit before tax excluding goodwill amortisation and profit on sale of subsidiary	22,759	25,760
Profit before tax	20,398	53,160
Net current assets	39,681	28,702
Shareholders' funds	39,647	40,766
Cash and bank balances	25,306	22,092

GROUP CHAIRMAN'S STATEMENT

Overview

Being frank, I suggest that 2020 might best be described as a year which, in financial terms, essentially saw our business stand still.

Had we known that at the outset, when we had high hopes for the period ahead, we would naturally have been very disappointed. However, with the benefit of hindsight, it may come as no surprise to hear that we now look back on 2020 with a huge sense of pride and some relief; pride in the way our people responded to the unprecedented demands suddenly placed upon them by Covid-19, all alongside the 'normal' challenge of running a business of our scale and complexity during a period of continuing Brexit uncertainty and evolving (and politically escalating) cladding regulations; and relief that through pragmatic, timely and culturally consistent decision making, implemented so effectively by our management teams at every level, we managed to contain the operational impact of the pandemic within what we believe to be acceptable parameters.

One of our earliest and most important decisions was to do everything sensibly and safely possible to continue trading through any lockdown period, supporting and initially surprising customers and supply chain partners through our determination to do so. Maintaining that operational momentum helped provide clarity of intent to all our stakeholders, both externally and internally at a time when the wider tendency was towards uncertainty, and also reflected the reality that our sustainable business model is predicated upon delivering consistent cash flows to support our significant investment in people and technology.

That naturally demanded the collective and willing support of our people (who have demonstrated their characteristic understanding, flexibility and resilience throughout) alongside a series of rapid operational interventions to support the now familiar imperative for social distancing - which in turn helpfully fostered a recognition of the need for change, accelerated wide scale adoption of available technology to support remote working, and forced a conscious (albeit sometimes painful) distinction between 'business imperatives' and 'nice to haves'.

That latter analysis informed our concurrent and equally important decision to minimise cost and thereby increase resilience wherever we sensibly could, gratefully and unapologetically participating in the government's Coronavirus Job Retention Scheme ('CJRS') to support that process. In seeking cost savings, we sought to share and balance the burden amongst our teams, offering greater subsidy than rules demanded for those necessarily (but almost always willingly) accepting furlough during the first lockdown, alongside inviting short term salary sacrifices (offered equally willingly) from most who continued to work throughout. As a result, not only were eventual job losses kept to an absolute minimum and predominantly sourced through self-selection, but other than for those of us at the very top of the organisation, we were also able to continue honouring well-earned payments under the various annual incentive schemes that motivate and reward all the rest of our people, at every level, throughout the business.

The need to maximise resilience during what was a period of immense uncertainty also influenced our decision to seek eligibility under another government sponsored scheme - the Covid Corporate Financing Facility ('CCFF') - which offered a very select group of independently rated investment grade businesses the opportunity to issue commercial paper via the Bank of England through until March 2021. Whilst, through careful cash management, it eventually proved unnecessary for us to take up the offer before its expiry, we were very pleased when we secured the added protection of being confirmed eligible with an allocation cap of £300.0 million.

For similar reasons, with our group-wide £25.0 million Revolving Credit Facility ('RCF') through Lloyds Bank plc and HSBC Bank plc approaching the end of its three year term in June 2021, we decided to accelerate renewal and seek an appropriate increase. We were delighted to see the early and successful completion of that process with the recent signing of a new three year facility, initially increased to £33.3 million and the potential to expand further to £50.0 million under an accordion arrangement. It was equally pleasing to see the facility recognised as one of the first 'Sustainability Linked Loans' in our sector, the cost of borrowing being directly linked to performance against various sustainability commitments as well as other more regular financial metrics.

Financial Results

It is perhaps no surprise that our successful negotiations in relation to both the CCFF and RCF have coincided with us delivering a stable financial performance through some of the most unusual and unpredictable trading conditions that any of us can remember.

In particular, the early modifications we made to procedures and protocols to accommodate social distancing and allow trading to continue through the first lockdown and to maximise productivity thereafter, meant the reduction in turnover was limited to only 4.4%, still reaching £1,191.6 million (2019: £1,246.4 million).

Profit was, of course, more heavily affected, predominantly through the impact of Covid-19 related disruption and the host of additional measures and subsidies required, net of income received through the CJRS. A smaller but still material impact related to the evolving and increasingly complex issue of cladding and fire protection to previously completed buildings, where a natural desire to 'draw a line' under the financial uncertainty, led us to conclude upon the need to increase our previous provision. The adjusted figure, which stood at £10.3 million on 31 December 2020, now reflects our view on the Group's liability net of insurance recoveries to settle all claims.

The combined effect was to see profit before tax, amortisation and profit on sale of subsidiary fall by 11.6% to £22.8 million (2019: £25.8 million). Whilst this would clearly be an unwelcome result under most circumstances, it still represents a return of 1.9% on turnover, which the Board views more pragmatically in the context of the unique challenges faced during the year.

Profit before tax was £20.4 million (2019: £53.2 million), and profit after tax was £15.6 million (2019: £47.9 million), with the prior year comparatives including a £29.8 million accounting (rather than trading) profit from a group reorganisation during 2019.

Shareholders' funds as at 31 December 2020 was £39.6 million (2019: £40.7 million). Cash at bank and in hand stood at £25.3 million (2019: £22.1 million). Alongside the additional comfort provided by access to the renewed and increased RCF, these are viewed as a welcome position to our consolidated balance sheet in a climate of continued uncertainty.

Future Prospects

The ongoing implications of the pandemic remain our dominant concerns in relation to the Group's future prospects. Whilst we have responded remarkably well to that challenge so far with many Covid induced improvements now permanently embedded and offering a degree of operational resilience, we have to remain mindful to the real prospect of new more virulent, more resistant and perhaps even more dangerous strains evolving over time. That said, we have been impressed by the momentum behind the vaccine roll-out, and are hopeful that it will continue apace until herd-immunity to the current strains is achieved. Our business planning for 2021 is predicated upon that assumption, albeit still characterised through an overarching central theme of '*safety, sustainability, prudence, flexibility and leanness*'.

With customer decision making having understandably been more cautious during 2020, we expected our pipeline of future work to offer less visibility than normal as we entered 2021. That did indeed prove to be the case, but with orders having since ramped up during the first quarter of 2021, we now have over 80% of our full year projection already secured or going through pre-construction, and the balance under negotiation.

Our greater workload concern, looking to the longer term, is the extent to which public spending on capital programmes will be impacted as government is forced to confront the huge and still growing pandemic cost. At the moment, spending levels appear to remain dictated by public need rather than capped departmental budgets, but it is difficult to see this continuing unabated once a sense of normality returns.

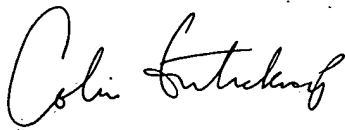
In the meantime, with the prospect of customers' budgets tightening but quality demands growing, one of our key strategic aspirations is to create a digital platform for designing and delivering flexible yet more efficient and sustainable buildings, utilising (where practically possible) pre-manufactured components. Despite shorter term distractions, we already have an expert team taking this initiative forward under the new 'Collida' banner, with their first 'Collida Living' suite aimed at the low rise residential market well into development.

As well as being a core feature of all our Collida products, sustainability will of course continue to be at the very heart of everything else we do - indeed it will feature even more heavily through the wide-scale adoption of 'Now or Never', the next iteration of an even more stretching sustainability strategy that was hugely welcomed by customers, stakeholders and industry observers at its launch. The dedicated Sustainable Development Report that follows, forwarded by my colleague Jonathon Porritt, provides a full picture of the excellent work being done and our ambitious plans for the future.

People

I started by mentioning the remarkable way our people responded to the unprecedented challenges they faced during the year, and it is entirely fitting to close on the same theme. None of us could realistically have predicted the suddenness and scope of changes our teams would have to confront - whether through being expected to work when others were safe at home, to rigorously apply social distancing across an unaccustomed workforce, to work remotely from a compact home embracing new technologies, to juggling competing pressures between working partners (perhaps whilst also providing home schooling), or to face the uncertainties of furlough.

To cope with all these things and more, often without close supervision and support, has demanded immense personal responsibility, commitment, loyalty and trust - which we have seen demonstrated in spades by absolutely everyone, at every level throughout the organisation - and for which I, Rick and our board colleagues, are (and will always remain) hugely grateful.



Colin Enticknap
Group Chairman

GROUP CHIEF EXECUTIVE'S REPORT

Overview and Market Context

At times, it's difficult not to reflect on the varied and important contradictions that exist in and around the UK's construction industry. Particularly so, as a rare business that has operated sustainably in three different centuries, through two world wars and now through a pandemic of such material impact and significance for all of us.

We represent an industry portrayed in almost equal measure as 'hero and villain', an industry that is rightly proud of its extraordinary achievements, similarly aghast at some of its own behaviours, yet progressively more disappointed at how it is portrayed and publicly perceived in this era of misinformation and sensationalised scapegoating.

At Willmott Dixon we have learned to follow our instincts, values, strategy and, most importantly, culture and in doing so we adapt to whatever complications are encountered along our trajectory.

We often remark, in the pages of this annual report, about the importance of the construction industry to the economic health of the nation. 2020 was perhaps the year when this reality was never more apparent as, within a matter of days of the Prime Minister announcing the first Covid lockdown and our subsequent requests for strength and clarity of his message, the industry received an open letter from the Secretary of State for Business thanking our industry for 'making a hugely valued and critical contribution to the resilience of our Nation and I salute you for the enormous efforts you are individually undertaking to support the UK economy'.

A week earlier, at Willmott Dixon, we had already committed to keeping our business, and particularly our projects, safe and as fully operational as possible to support our customers' ambitions and investments to deliver vital public sector infrastructure in education, health and housing. The Government's message was therefore particularly welcome as our robust stance was perhaps at odds to the decisions taken by many in the sector at that time.

With those early lessons learned, with a coherent vaccination strategy in play and with a gradual easing of lockdown restrictions, the Government is now preparing the country for an economic resurgence. In doing so, it has once again called on our industry to support its Build Back Better initiative by delivering infrastructure projects, schools, hospitals and homes on a more sustainable basis in line with the UK's net zero carbon ambitions.

We are, of course, well established in all these areas and recognise the importance of the Government's intention to improve and streamline public sector procurement of capital projects by adopting their Construction Playbook which places emphases on:

- outturn value not lowest tender price
- larger 'bundled' programmes of work
- collaborative behaviour
- financial probity
- longer term relationships
- standardisation of build process
- social value and community benefit

I'm delighted to confirm that all these features align with our long-standing ambition for the industry, our headline strategy, culture and values.

Before reporting on the specific performance and experience of our operating companies during 2020 it would be remiss not to reflect on our people's extraordinary achievements and sacrifices in the face of Covid-19.

Overcoming a once in a generation situation

Whilst we constantly review our business strategy to ensure we are resilient to events like Brexit or any economic downturn, it is much harder to prepare for the sudden and unforeseen impact of an un-heralded worldwide pandemic. There is no doubt that the arrival of Covid-19 in 2020, the subsequent restrictions placed on our lives and resultant impact on the economy was a challenge that stretched our company in a new way.

How we responded is a testament to the dedication, resolve and calibre of our people. While faced with an increasingly uncertain world, their readiness to adapt quickly and make sacrifices through keeping projects operational, accepting reduced pay for a number of months or by volunteering for furlough played a key role in shielding our company from the very worst impacts of the pandemic.

Dealing with lockdown

We should not underestimate the seismic shock the pandemic had on our industry as the economy ground to a halt when the first lockdown occurred in March 2020. It constrained the supply of products and materials, affected supply chain capacity, and required a complete overhaul of our processes and procedures on site to ensure building work could continue while adhering to social distancing measures.

The Government's clear message that infrastructure and construction projects should continue during lockdown was very welcome, but there remained many practical steps that needed to be taken before this could happen.

All construction projects had to quickly adapt to meet the Construction Leadership Council's Site Operating Procedures (SOP). This was a thorough process, and it is a huge credit to the skill of our teams that they meticulously set about making the changes necessary to meet the SOP's exacting requirements to building within a Covid-compliant safe environment.

The changes required were not inconsiderable. With an average daily population of around 8,000, our project teams had to re-configure layouts and thoroughfares around sites, looking at where bottlenecks were likely to occur, such as staircases and routes in and out of site, and introducing one-way systems to maintain social distancing.

Strict processes had to be put in place for welfare facilities, which in some cases where space allowed, saw projects hiring marquees to allow social distancing at break time, while in other areas rotas were created and seats removed to prevent overcrowding.

This decisive action with the rapid and professional support of our Safety, Health and Environment team, also gave confidence to our supply chain partners that they could work within a safe and secure environment.

This was essential as it meant that we were able to continue building for our customers and gave us the momentum that ensured productivity levels remained reasonable during the crucial early days of the pandemic, when any significant delays would have been uncertain to recover or justify. Thanks to the resolve and ingenuity of all our people, keeping our sites going has been instrumental in limiting the worse financial impacts of Covid-19 on our day-to-day operations.

A true testament of the day to day attention to detail of all our people and our supply chain is that between 1 April 2020 and 30 September 2020 we recorded almost 7 million hours worked across our projects and yet only 39 positive Covid-19 tests were confirmed.

What our customers said:

"The Willmott Dixon team is doing a great job of keeping our Springfields project going, safely. Further to this, when we had no masks for our care team to use, the team were amazing. They sourced 300 special masks designed for when caring for people with the signs of Covid-19 and personally delivered them masks to one of our sites in Matlock – massively above and beyond the call of duty I would say."
emh care & support, at Springfields

"Willmott Dixon went above and beyond working through Covid-19. It is easy to do business with Willmott Dixon. It is just personalities, again, people take pride. Riding out the Covid-19 scenario was really positive, that has really helped in Phase 2. I suspect that if we have another lockdown, Willmott Dixon will take that in their stride now."
Oaklands College, Homestead Building project

"Willmott Dixon has responded very well to the pressures posed by the Covid-19 epidemic. Quite frankly, the response from Willmott Dixon was exemplary; it really was. Nothing was too much trouble for them."
Rookwood Relocation, Llandough Hospital

"I think one area where I have been impressed just recently is with the Covid crisis. Willmott Dixon has managed that very efficiently nationally. They haven't closed sites and I have been impressed with the level of information which they have provided. There is a weekly update and it gives me day by day impacts as a consequence of Covid, so what was planned, and what has happened and what hasn't happened as a result of the issues."

Rotherham Housing Development

"Considering everything they have been dealing with as a company, they never drop the ball, even though I know they must have been going through the ringer with Covid-19 and the policies and new ways of working that they had to introduce on all of their sites. All of that was going on. They were 'we are still keen to learn lessons and make sure that we recognise your feedback.' That is a really wonderful thing."

MK Whitehouse Health Centre

"We have been absolutely delighted with Willmott Dixon's response during the Covid-19 situation. They continued; they did everything they could. When they had issues they shared them, and we found our way around them."

Greater Brighton Metropolitan College

"Willmott Dixon handled it [Covid] sensitively but they didn't lose a day's work and they just cracked on. That's a really good example, people worked from home very effectively, and those that had to physically be on site, which is very important when you are building a building, did that effectively."

St Dunstons College

"To their credit, Willmott Dixon picked up the project and got it onto site quickly. All of this has taken place during the Covid-19 crisis, so we have been meeting remotely and holding weekly catch up meetings on Zoom. They have jumped on to it. They have picked up a project that they knew nothing about. We have got it through planning. They have got it on to site."

Old Woking Independent Living, Woking borough Council

"With regard to Willmott Dixon's response to Covid-19, they have been superb; they have been amazing. We have weekly photographs that the team sends us, which has been great. Everyone has enjoyed seeing them, and seeing the progress. Willmott Dixon distinguished themselves quite frankly, by pursuing it in a very calm and professional manner."

The Ropemaker's Academy, East Sussex County Council

"It has been a fantastic achievement by the contractors, Willmott Dixon, to progress a construction of this size during such a challenging year. They have kept their workers safe on site throughout, and will still manage to complete the centre by our original target date of a spring opening."

Winchester Sports and Leisure Park

"To complete the project to the highest standards, Willmott Dixon, our build partner, have had to cope with numerous site difficulties, including a flooding incident and managing a construction project through Covid restrictions. The site never closed and I'd like to thank Willmott Dixon and all their supply chain for the fantastic quality of the building they have delivered."

Aspire@ThePark, Wakefield Council

Customer recognition

Keeping projects moving forward during various Government restrictions was just as important for customers. I've had personal feedback alongside written praise that demonstrates how impressed customers have been with our ability to maintain operations, and how appreciative they have been to see projects that are important for their communities handed over despite the challenges. One consistent theme in the feedback is how customers admired our people's problem-solving approach in overcoming the obstacles they faced, both in preconstruction and on site.

This was epitomised by the Department of Education (DfE), a long-term customer, which singled out the team behind Dixons Trinity Academy in Leeds with its *Going Above & Beyond in Covid19* award for how they successfully completed this new school. In particular, they noted how the successful handover six weeks ahead of schedule was 'testament to our efforts' in delivering a school that 'the Trust are very happy with' during the national lockdown. This is a huge accolade for our company and shows how much customers valued our ability to deliver their projects.

Whilst the progress of some new projects at preconstruction stage may have slowed as a result of the pandemic, our teams have been focused on helping customers get projects onto site with minimal programme slippage.

This has allowed us to maintain a decent pipeline of work by securing new opportunities and, in that regard, the signs for the future remain very encouraging.

A 'can do' attitude

The selfless attitude of our people towards colleagues, supply chain partners and customers throughout the last 12 months has seen our company at its very best. In these trying circumstances, their willingness to embrace change, adapt to the most extraordinary conditions that any of us have worked in before and do whatever was required to safeguard our company from the economic consequences of Covid-19 underlines the strength of our people-focused culture.

It is clear many changes derived from the pandemic are here to stay, and with some benefit. One of the most apparent has been our accelerated approach to agile working. With most of our office-based and functional teams spending increasing amounts of time working from home over the past 12 months, as required by the three national lockdowns, we are keen to embrace the learning from this and how it contributes to overall health and wellbeing.

We have been blessed with an internal IT team which, under the experienced leadership of Alan Ramsay, had already paved the way for agile working for the entire business. Every one of our people has been able to access and use all of our digital systems remotely, from day one of the pandemic, with no loss of capability.

Thanks to technology and the arrival of communication platforms like MS Teams, we have changed the way we do business; for example, less reliance on travelling and more use of virtual meetings has made far better use of time and materially reduced corporate and personal fuel usage. Our experiences of the last year have accelerated our migration towards a more agile working environment that further supports our focus on maintaining a good work-life balance for everyone as well as a dramatic reduction in 'driven' miles.

While our physical offices will always be instrumental to encourage collaboration, teamwork and developing colleagues' experiences, our people will also benefit from greater flexibility in balancing their time between the office and home.

As we continue the vaccine roll-out and with a clear roadmap out of the restrictions to combat the spread of Covid-19, we emerge a stronger business, with stronger customer relationships, higher levels of certainty in future outlook and a Government that sees construction as an enabler to boost post-pandemic growth and support the 'levelling up' agenda. The last year has asked many questions of our people, and I am proud to say they answered all in a way that surpassed what might have been expected.

Willmott Dixon Construction ('Construction')

Turnover £1,025m, 2019 £1,097m

It perhaps goes without saying that Construction had the challenging year that we contemplated 12 months ago with a reduction in turnover against budget of around 10% and a reduction against budgeted profit of some 56%. However, to have stabilised turnover at very close to 2019 levels and generated a pre-tax profit of 1.8% we should be enormously proud of the achievements of our people through the year who, as outlined above, have done so much to support the business through personal sacrifice and a willingness to just 'get on with things'.

The vast majority of Construction's workload is generated through what we believe to be the most important public sector procurement frameworks available to us, as they offer us a far greater opportunity to become a customers' trusted advisor and be more fully engaged throughout the early design and preconstruction phases of a project.

Whilst we believe this is the best approach for predictable project outcomes, it does extend the period of our involvement by many months. Typically, there is now a 12 to 18 months period from our first involvement with a customer to commencing the construction phase of a project. The consequence of a typically longer procurement phase has been the difficulty in replacing postponed or cancelled projects, as a result of Covid-19, at short notice.

That said, we would not seek to return to the single stage tendered market, far preferring to add value and reduce risk for our customers on their projects. As a result of this focus, 60% of the new contracts won in 2020 were with repeat business customers. Our comprehensive customer feedback team interviewed almost 300 customers, at varying stages of their projects; of those interviewed 90% expressed a strong likelihood of working with our teams again and almost 90% would willingly recommend Construction to other procurers of capital projects.

The majority of our workload, around 85%, is derived from public sector customers who have chosen to either procure directly or through one of the national or local frameworks. The following list represents just a selection from many where we consider ourselves keen advocates, loyal supporters and partners.

- Scape Procure
- SCF (Southern Construction Framework)
- Department for Education
- Procurement Hub
- Pagabo
- Construction West Midlands
- Anchor Hanover
- Inspired Villages Group

I'm particularly delighted that we continue to work so successfully around the country with Scape on their major projects framework; this is a 15 year relationship where both organisations have grown together and delivered some amazing outcomes not only for customers, but also for communities and individuals. To demonstrate that point, we have recently seen the 800th apprenticeship completed on our journey with Scape; providing young people with new skills, opportunities and life chances.

Scape has provided an important contribution towards our annual turnover for many years and perhaps the inspiration for the establishment of a number of other important procurement routes for customers in the public sector.

Being successful in procurement is vital for a national construction company and it is reassuring to note that, across our Construction and Interiors businesses in 2020 we were fortunate to secure almost £900m of new orders across the country in a very well-balanced sectoral split.

We have strong design and build capability in education at every level, and in leisure, commercial, 'Blue Light', housing, defence and health – in each case supported by specialist preconstruction teams that truly understand their specific sectors, customer scope and end user needs.

Of course, effective leadership alongside exceptional people always provides the best environment for success. Through 2020 we have continued to benefit from COO John Waterman's excellent leadership of Construction supported superbly by a consistently high performing team of regional Managing Directors. Their positive, communicative and collaborative handling of various tension points through the Covid crisis was widely well received by their local teams and underpins what, in the circumstances, was a very good national performance.

This was borne out through the Sunday Times Best Companies 'Pulse Survey' that everyone in the wider Willmott Dixon business participated in. Carried out last summer at the peak of uncertainty and with many of our people furloughed, we achieved a 76% response rate. With a Best Companies Index score of 804 the independent organisation conducting the survey categorised our Corporate Engagement as 'outstanding'.

Our approach to successful regional growth is no better demonstrated than by our Local Construction Office (LCO) in the North, which has been operational now for just over a decade, always profitable and has just reached its £2 billion aggregate turnover milestone - quite an incredible track record given the global recession into which it was launched and the trials and tribulations of the ongoing pandemic.

Construction has, for the last 5 years, been following John's Building on Better initiative to give greater customer focus, supply chain support and rabid preoccupation with the delivery of quality. As business schools argue that most strategies don't survive long following their first engagements with reality, it is hugely reassuring that John's vision has maintained the momentum of positive change for since launch and is now on the verge of being updated to ensure that progress continues apace. The 'Giant Leap' is intended to reinvigorate customer focus and particularly to grasp forever the agility learned over the last 12 months.

The Giant Leap will be:

Simple – *Empower our people and customers by reducing complexity*

- *Automated systems* – Ensure that the efforts of our people are focused on creating value for our customers by investing in digital systems and consolidating our existing processes.
- *Empowered customers* – Encourage customers to bypass traditional thinking and to work collaboratively to simplify the development process for them.

Sustainable – *Differentiate our offerings as purposeful and progressive*

- *Progressive brand* – Provide us with a credible platform to launch new offerings to customers by justifiably positioning our brand as the leader in sustainability.
- *Productised performance* – Deliver industry leading performance certainty that you would expect from an off the shelf product, by investing in standardised design and procurement solutions.

Affordable – *Ensure our products and services are affordable to customers*

- *Lean operations* – Improve the competitiveness of our core offerings and increasing the productivity of our people by driving operational efficiencies through lean management processes.
- *Enabling Services* – Meet increasingly diverse, complex development needs by offering an expanded range of tailored services that unlock long-term value for the customer to make our offerings affordable.

Innovative – *Secure the future of our business in a rapidly changing industry*

- *Value creating* – Develop new revenue streams for the business by establishing a more systematic approach to innovation that is more effective at turning ideas into viable products and services.

The Board looks forward with much anticipation and expectation to the continued development of this strategy and also to the emergence of the closely correlated Collida product system and approach that will be the hallmark of innovative design and construction manufacturing in the future.

Willmott Dixon Interiors ('Interiors')

Turnover £167m, 2019 £149m

Our Interiors business is materially different to that of Construction. The company is set up to primarily focus on interior fit-out schemes, but also has the capacity and expertise for refurbishment projects that have a strong internal bias but include a modicum of structural alteration and reinstatement.

This model has provided a useful broadening of opportunity as it offers a useful 'crossover' of skills in a single company not often found in the market, which a number of customers have found helpful where projects don't naturally fit standard contractor models. Having three different teams focused on major projects, frameworks and projects below £3m in value, has meant that over the past 12 months Interiors has worked on a diverse array of projects, all generally of high complexity and sensitivity and often working in occupied operational premises.

The handover and official opening of Gallery 32 at the National Gallery is perhaps a fine example of how to work with a customer, delivering major capital improvement works through some exceptional supply chain partners to a quality rarely seen, all whilst surrounded by the nation's treasures, without incident.

Having worked successfully with a number of customers on challenging projects Interiors has been rewarded with a string of repeat orders from valued long-term customers such as the Metropolitan Police, Travelodge and the Department of Health.

Three project awards approaching £40m each have given Interiors some longer duration opportunities and an ideal platform to continue the company's onward progression:

- A 'Category A' fit-out in the City of London at Gresham St. A project that was reliant, amongst other things, on the smooth delivery of nine passenger lifts from Europe, mid-Brexit and mid-pandemic.
- In Birmingham at Brindley Place the complete reconfiguration and re-servicing of two linked office buildings with CBRE Investments.
- For London South Bank University, the full refurbishment, reconfiguration and re-servicing of the London Road Building at Elephant and Castle.

With turnover picking up in the year, in comparison to 2019, it is clear that there is different resilience in the fit-out/refurbishment market as 'space' can be relatively easily reconfigured or re-purposed either in recession, or in a strong economy, to suit needs.

With its base in central London, a local delivery office in the centre of Birmingham and projects spanning between Sussex and Yorkshire, Interiors is a Willmott Dixon business that is poised and positioned for success.

For the past 5 years, COO Mike Hart has been instrumental in shaping Interiors' future and I am immensely grateful for his contribution both here, around the Willmott Dixon Board and across a range of other projects that he has willingly committed to.

As this first phase of Interiors evolution is complete, Mike has agreed to step into another senior role in the wider Group, as Executive Chairman of Fortem, one of our sister companies. I wish him every success in his new role. I know he is rightly proud of his achievements with Interiors and that he was happy to pass the role of COO to John Waterman who now becomes responsible for all of our Willmott Dixon operating companies, and who will now shape Interiors strategy alongside Managing Director Graham Shaw.

Sustainability

Throughout 2020, supported by our Sustainability team under Chief Sustainability Officer Julia Barrett's leadership, we have worked incredibly hard to devise the next and crucial phase of our sustainability journey.

I won't repeat here what has already been explained in the comprehensive Sustainable Development Review that follows other than to underscore the Board's, and indeed our whole company's full support for the Now or Never strategy intended to take our Group through to 2030, our decisive decade.

We make firm commitments in this strategy which will transform for the better the way we construct the buildings we deliver to customers and the services and products we source from our supply chain. This is a brave and holistic plan based on science, experience and commitment that may be unmatched in our sector.

Summary

Quite extraordinarily, two words have changed our world and our vocabulary forever. Brexit didn't exist as a word, event or a concern until just a few years ago and Covid-19 only emerged as a separately identifiable strain of the Coronavirus at the end of 2019.

Many of us laughed in 2002 at the Rumsfeld statement about the 'known unknowns and the unknown unknowns' perhaps Brexit and Covid-19 are real examples of both.

As a senior management team, our challenge is to solve and deflect problems of this nature and to optimise outcomes. Any strategies we deploy are wholly reliant on the loyal support of our people whose personal leadership at a local level defines us as a company and it is our people who I pay tribute to in these concluding remarks.

Our people, at every level of the organisation, have been prepared to dig deep over the last year. Their passion for our company and colleagues, their humility and their generosity of spirit are the most important things that have shielded Willmott Dixon through an incredibly turbulent year - and it is their commitment and resolve that will accelerate our recovery as the voracity of the pandemic eases.

I offer them all my sincere gratitude.



Rick Willmott
Group Chief Executive

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are outlined in the Group Chief Executive's Report, namely:

- The effect of the Covid-19 pandemic, including the availability of labour.
- The impact of Brexit on supply chain pricing and availability of labour.
- Increased professional indemnity insurance costs and exposure.
- Potential legislative changes following the Grenfell Tower tragedy.
- The increased potential for corporate failures in the supply chain.
- A declining appetite for exposure to the construction sector from lenders.

In addition, the Group is exposed to the 'business as usual' risks associated with its core operations:

- The operational delivery of large, complex projects in an industry characterised by low margins.
- Changes in the outlook for the UK economy and the impact on customer demand and supply chain costs.
- The credit risk associated with completing works ahead of being paid.
- The availability of sufficient skilled people.
- Competition in securing contracts and frameworks.
- The inflation risk associated with delivering fixed price contracts.
- The health and safety of our people in challenging operating environments.
- Unheralded changes in legislation or government policy.
- The impact of a material reduction in workload (in light of relatively high fixed operating costs).

The Board believes that these risks and uncertainties are appropriately managed and mitigated by the Group's strategies, procedures and commercial arrangements, through regular monitoring and by employing and continuously training people with the appropriate skills, qualifications, commitment and passion in their roles.

COMPANIES ACT 2006 s172 AND STAKEHOLDER ENGAGEMENT

The directors consider, both individually and collectively, that in the decisions taken during the financial year they have satisfied the requirements of s172(1) of the Companies Act 2006 in acting in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole, and in doing so having regard to the stakeholders and matters outlined in s172(1).

Long term strategy and vision

The board meets regularly and is responsible for establishing the headline strategies and long-term vision of the Group and ensuring these are communicated and aligned across the business.

The headline strategies of the Group are to achieve sector leading results year on year and to be the sector leader in sustainable development, by empowering intrapreneurial executive teams through a portfolio of substantial contracting and related businesses, each committed to achieving:

- High satisfaction levels and customer loyalty
- A solid and visible platform of profitable work with positive cashflows
- Sector leading levels of competitiveness
- Efficient, cost effective and reliable supply chains
- Continuous improvement in procurement practices and use of natural resources
- Simple, effective, well understood and consistently applied control systems
- The overriding aspiration to attract, develop, retain and promote the best people

The board also routinely reviews and approves the long-term strategic plans and annual budgets of all group subsidiaries, regional offices and central services.

During 2020, the main focus of the board was responding to the challenges and opportunities presented by the Covid-19 pandemic and its effect on key stakeholders and the financial position of the company. In early March 2020 a 'Covid-19 sub-committee' was established, meeting at least weekly through the earliest days of the pandemic to ensure timely and decisive actions were taken and promptly communicated and implemented. Details of the effect and response to the pandemic are outlined below and in the Group Chairman's Statement and Group Chief Executive's Report.

During the year the board also considered and approved the new, sector leading, Sustainable Development Strategy, 'Now or Never' and reviewed its corporate funding arrangements, including securing availability of £300.0 million of CCFF funding providing financial resilience through the pandemic and access to a new, increased Revolving Credit Facility of up to £50.0 million committed to 2024.

In setting the long-term strategies and vision for the business and taking decisions during the financial year, the board has regard for the key stakeholder groups and matters outlined below.

Employees

The Group's strategy is to attract, retain, develop and promote the best people. The board believes that providing people with a 'career of a lifetime' helps to ensure that behaviours are aligned with strategic objectives, an outstanding service is provided to customers, and the unique culture and reputation of the company is maintained.

Regular employee engagement comes from a number of different channels including:

- An annual confidential and independently coordinated 'all people' survey
- An annual people review with all managing directors and functional heads
- Regular e-mails and newsletters
- Social media and instant messaging channels
- Company intranet news and blogs
- Regional office and site visits
- Conferences and video messages
- A whistleblowing policy facilitating any concerns to be raised anonymously
- Working groups on strategic topics such as diversity and wellbeing

To protect the financial stability of the Group and protect jobs for the long-term, the board made a number of difficult decisions during the early days of the pandemic, including temporary periods of furlough and salary cuts in certain roles and a small number of redundancies. In doing so decisions were taken to top income up above the statutory minimum for those on furlough, particularly for lower earners, and to pay 2020 incentives to all in full, based on unadjusted salaries and regardless of furlough periods.

As outlined in the Group Chairman's Statement and Group Chief Executive's report, engagement with site teams, and their collaboration with supply chain partners and customers was essential in ensuring a continuation of operating activities, adhering at all times to the Covid-19 safe operating procedures and with the health, safety and wellbeing of the group's people and partners a priority.

A 'pulse survey' was undertaken mid-year to include specific questions to help the board consider the wellbeing of people through the unique challenges of the pandemic.

Employee engagement during the year led to the introduction of the following:

- A new homeworking allowance
- An agile and homeworking policy
- A new company car scheme for ultra-low emission vehicles
- A standard motoring expenditure allowance to replace graded car allowances
- Access to additional equipment and support for homeworking
- Improved technology to support agile working and virtual meetings
- New digital learning platforms
- Unconscious bias training
- A mobile application to support wellbeing

Customers

The company recognises that engagement through listening, understanding and responding to customers is critical to long-term success.

The directors engage with customers and framework providers regularly through:

- Regular meetings
- Workshops before, during and after each project
- Dedicated account management
- Customer interviews
- Site visits
- Conferences
- Digital and social media channels

The feedback from customer engagement helps to inform the long-term divisional strategies, budgets and business plans regularly considered and approved by the board. This includes, but is not limited to, the way in which teams communicate, collaborate and drive quality on projects, investment appraisal, research and development, resourcing and the way in which operational, regional and national teams are structured.

During the year, engagement was focused on the response to the pandemic and needs of the customer, in particular in continuing site operations and meeting key deadlines. Project meetings and site tours were conducted virtually to continue effective and efficient collaboration throughout the pandemic. Customers were also regularly engaged and informed of key legislative changes, such as the domestic reverse charge for VAT.

Supply chain partners

The company's success and reputation are inextricably linked to its relationship with supply chain partners. Accordingly, the company seeks to maintain and develop strong, open, collaborative and positive relationships with partners across the supply chain. To help ensure this, the company aims to deliver over 80% of supply chain spend with those partners with whom it has a long-term strategic relationship.

Engagement with supply chain partners takes many forms across the Group including:

- Annual surveys
- Supply chain conferences
- Regular meetings with dedicated relationship managers
- Project workshops and trade forums
- 'Better together' academies and 'lunch and learn' sessions
- Participation in working groups and shared workspaces

This engagement helps to inform improvements in process and procedures, changes to the way in which the company communicates, collaborates and interacts with supply chain partners and updates of standard group contracts, policies and long-term business plans approved by the board.

The board recognises the significance of cashflow and fair and prompt payment to supply chain partners and sets policies, procedures and contract terms accordingly. The company is regularly as one of the best in BuildUK's league for prompt payment.

During the year, the board considered and actively engaged with supply chain partners on:

- Covid-19 safe operating procedures
- Maintaining and improving payment terms and performance
- The role they play in the new sustainable development policy, Now or Never
- How the company can support their digital and technological growth
- The requirements and implications of the new domestic reverse charge VAT regime

Shareholders

As a privately owned business with a relatively small group of longstanding, individually known ultimate shareholders, the board has a keen interest in understanding ultimate shareholder views and objectives and in considering and where feasible reflecting those when developing its long-term strategic plans.

Ultimate shareholder engagement is promoted via both the Group Chairman and Group Chief Executive as follows:

- Feedback and analysis communicated through annual and interim reports
- Supplementary information provided through discrete correspondence
- Interactive dialogue welcomed through the Annual General Meeting
- Open feedback invited through adhoc surveys and questionnaires.

During the year, shareholders were kept informed of the Group's response to the pandemic through regular written correspondence from the Group Chairman. This included the board's decision not to recommend a final dividend for 2019 (that would otherwise have been payable in May 2020) and the approach to dividend payments for the year ahead.

The board firmly believes in aligning ultimate shareholder and management interests by offering senior executives and regional directors the opportunity to become ultimate shareholders via the Group's performance related share incentive schemes. The latest iteration announced in 2019 was first available and well subscribed to during 2020, with the majority of participants electing to take up their maximum entitlement.

Communities and environment

Through the Now or Never strategy and its strategic themes of Building Lives, Better Buildings and Better Planet, the group aims to be the leader in sustainable development and is committed to leaving a positive legacy in the communities in which it operates.

A Sustainability Committee is chaired by the Group Chief Executive and meets regularly to review and implement the Group's sustainable development strategy, monitor progress against targets and ensure that best practice is shared across the Group.

This, and the work of the Willmott Dixon Foundation is explored in detail in the Sustainable Development Report. During the year, site teams took steps to ensure that local communities were kept engaged and informed of site activity, in particular their approach to safely operating sites through the pandemic.

Other stakeholders

Other major stakeholder groups include the company's insurers, bankers, surety providers, advisors, auditors, regulators and HMRC.

With all these stakeholder groups, the directors maintain regular, open and collaborative dialogue which they believe is essential to fostering strong relationships and ensuring that all parties are kept informed and listened to.

Insurers, banks and surety providers are provided with regular company updates and are invited to meetings at least annually to receive updates on current performance, forecasts and objectives.

Through the early months of the pandemic, updates on the Group's actions and financial position were provided to banks and key credit insurers through virtual meetings every other week, continuing the spirit of open, honest dialogue and fostering ever closer relationships.

Regular dialogue was maintained with HMRC on the timing of payments and claims under the Job Retention Scheme. A short-term deferral of employee related taxes was agreed with HMRC in April 2020, all of which were repaid by 1 July 2020.

Business conduct

The strategic plans considered by the board are designed to ensure that the Group maintains the highest standards of business conduct.

The approval of changes to the strategies and policies considered most significant in maintaining the highest standards of business conduct are matters reserved for the board.

By Order of the Board:



Wendy McWilliams
Secretary

22 April 2021

Now or Never!

2020 was a very challenging year for Willmott Dixon, as it was for many companies. It would have been easy for us to put some of our sustainability commitments on the back burner, but that didn't happen. Indeed, it turned out to be a particularly encouraging year on the sustainability front, in so many different ways.

In September, we launched our new 'Now or Never' sustainability strategy, after an extremely rigorous process of engagement, both internally and externally. With the most challenging targets in our sector, we believe that we have now set a new bar in terms of the scale of our ambition and our readiness to be held to account in terms of our performance.

All around us, we felt there was a distinct quickening of the pace in terms of both political and corporate responses to the climate and ecological emergencies. For instance, across the EU more electricity was generated from renewables than from fossil fuels; here in the UK, the carbon intensity of our electricity grid (the amount of CO₂ emitted per unit of electricity generated) continued to fall – in fact, it's dropped 66% since 2013. More than 400 companies have now committed to setting Science-Based Targets, with the emphasis on achieving 'Net Zero carbon' just as soon as possible. And over 30 nations, including the UK, vowed to protect 30% of the Earth's land and ocean by the end of the decade in order to halt devastating biodiversity loss.

But let's be clear about this: we're still in catch-up mode. 2020 was the joint hottest year we've ever witnessed since records began, and concentrations of CO₂ continue to rise in the atmosphere. It's sobering to think that we'll be looking back on this year as one of the coldest this century.

How can this possibly be when so many positive actions are now being implemented? Well, we obviously left it far too late, with so many years wasted doing next to nothing. If we'd all started to get serious about reducing greenhouse gas emissions 20 years ago, at a time when we already had more than enough evidence of what would happen if we didn't, and had committed then to an annual reduction in greenhouse gases of around 4% per annum, and then stuck with that 4% reduction year after year, we would be on track right now to restrict that all-important temperature increase to below 1.5°C by the end of the century. But we didn't. In fact, we did the opposite. We kept on increasing emissions of greenhouse gases, year on year, for 20 years. As a direct consequence of that, starting from where we are now in 2021, we will need to reduce emissions by roughly *twice as much* every year, for the next 20 years.

At Willmott Dixon, we've been working away at our sustainability strategy for more than a decade. We've got the measure of just how hard it is to accelerate the pace of change – don't believe a word of those who make out this all sounds really easy! – and just how rewarding it is to see all that hard work deliver the necessary performance improvements. This is just as much the case on all our social value commitments as it is on our carbon, waste, water, and biodiversity targets.

We need a business like ours to double down on these positive experiences, however challenging that may be – especially with the 'wicked issues' like building performance and embodied carbon. But there is such a powerful rationale for this, as it helps us de-risk the company from the inevitable rebalancing that will come as markets adapt to reflect true value, and governments begin to legislate much more purposefully and urgently.

In 'Now or Never', we believe we have a hard-edged delivery plan as well as a comprehensive strategy. The case for taking early action is overwhelming, and we know we have an important part to play in making that case with our customers, our supply chain partners and our own people.



Jonathon Porritt
Non-executive Director, Willmott Dixon Holdings Limited

2020 Sustainability Headlines

Brilliant Buildings

- Delamere Forest
- University of Warwick IBRB
- Ashton Rise
- Llys Cadwyn development
- Riverside House
- Dixon's Trinity Academy

Building Lives

- £28m worth of social return on investment in addition to the amount we spent on goods and services in local communities
- The value of our people's time, skills, donations and gifts-in-kind, through the Willmott Dixon Foundation was £1.07m – equivalent to around £524 for every one of our people
- For projects procured via the SCAPE framework, 87% of spend was within 40 miles
- Spent over £420k with social enterprises
- Connected with over 49,000 individuals
- Delivered 271 weeks work experience and provided virtual work experience to 44 students during lockdown
- Over 39,000 hours of our people's time volunteered on community activities
- Raised £109k for good causes

Better Planet

- Carbon neutral for the eighth year running
- Reduced our carbon emissions (relative to turnover) by 13% between 2019 and 2020 and by 66% since 2010, further exceeding our end-2020 50% reduction target
- Reduced construction waste (relative to turnover) by 58% since 2012
- Continued to power all our sites and offices (where we are responsible for energy procurement) with 100% natural renewable electricity
- Paid out £22.8k in green bonuses to our people choosing low emissions cars
- Increased the choice of electric and hybrid vehicle models on our company car list
- Diverted 99% of non-hazardous construction waste from landfill
- Achieved Level 3 of the Carbon Trust's Supply Chain Standard

The Best We Can Be

- Fifth in the Sunday Times Top 100 Best Companies to work for
- UK's best performing construction company in the Financial Times Diversity Leaders list
- Named in the Times Top 50 Employers for Women
- Edie Sustainability Leaders' Awards, non-executive director Jonathon Porritt received the Lifetime Achievement award and Group Sustainability were crowned 'Team of the Year'
- £994k invested into our people's learning and development
- Investors in People Platinum for our Construction business and Gold for our Interiors business
- Our average Considerate Constructors Scheme score across all projects was 41.78/50 – 9% higher than industry average
- Dixons Trinity Academy received the Department for Education's award for Going Above & Beyond during Covid-19
- Harris Academy Sutton won Best Building in Performance at the Building Awards

Now or Never. Our decisive decade. Our 2030 Sustainability Strategy

In September, we launched our sustainability strategy '*Now or Never. Our decisive decade*' which includes a series of bold targets to 2030. We believe our new strategy will make us the sector leader in sustainable development, differentiating our business in the marketplace and positioning us at the forefront of one of the fastest growing sectors of the next decade.

We've been net zero carbon (or carbon neutral) in our own operations since 2012 and will become a zero-carbon company without any offsetting by 2030. Our industry-leading strategy has been approved by the Science Based Targets initiative (SBTi), as being in line with a need to limit a global temperature rise to 1.5°C and is aligned with the UN Sustainable Development Goals.

The strategy and its ambitions are themed to deliver Brilliant Buildings, to Build Lives and enable a Better Planet. Our ambitions headline and targets include:

By the end of 2030:

- We will be a zero-carbon business without offsetting with fossil fuel free sites, a 65% reduction in mileage and a 100% renewable fleet.
- We will have planted 100,000 trees.
- All new buildings and major refurbishments will achieve net zero operational carbon, will have Soft Landings delivered as standard, will implement Energy Synergy™, and where feasible, will include capital cost free Community Solar Energy capacity.
- How we do business will set the standard for social value for our sector.
- We will have improved the lives of 100,000 people.
- 1,000 people facing significant barriers to the workplace will have new careers.

By the end of 2040:

- All our buildings and major refurbishments will be delivered with net zero embodied carbon (with a net reduction in embodied carbon of 55% by 2030 compared to business as usual in 2020).
- Our supply chain will achieve net zero operational carbon.

The three themes are supported by four cross-cutting enablers: Trusted Partner, One Team, The Best We Can Be, Change Makers.

BRILLIANT BUILDINGS

The projects outlined below are just some of the sustainability exemplar buildings and projects that we worked on in 2020.

We completed the new Interdisciplinary Biomedical Research Building (IBRB) at the University of Warwick, which has led the industry by using a pre-manufactured value approach to realise a positive impact on the sustainability, logistics and carbon footprint of the build. Factory environments improve quality control, reduce the strain on specialist trades on site and result in less site deliveries. Around 600 photovoltaic panels have also been installed on the project.

At the Ashton Vale residential development for Bristol City Council we used ground source heat pumps at each of the 133 properties, eliminating the need to use fossil fuels to provide heat and hot water.

We delivered the BREEAM excellent Llys Cadwyn development, which features several sustainable elements including rainwater tanks, PV panels and EV charging points. Furthermore, 60% of the building materials were certified as responsibly sourced with the main elements, such as structural frame, internal and external walls, roof and floors all sourced from certified manufacturers.

Our team in the North received the Department for Education's award for Going Above & Beyond in Covid-19, for their work at Dixons Trinity Academy in Leeds, which saw the project handed over six weeks ahead of the contract completion date.

Our Interiors business refurbished Riverside House, a landmark commercial office located next to Southwark Bridge, where the team also created a biodiversity wall. The project started in June 2019, completing in December 2020.

We created a new sustainable visitor welcome hub at Delamere Forest. Complete with rooftop solar panels, a timber frame, ground source heat pumps and a sustainable drainage design with rainwater harvesting, the new hub provides an important destination for local residents to enjoy.

Energy Synergy™

Energy Synergy™ is our response to tackling the industry's notorious 'performance gap', which is the gap between the energy performance of a building at design stage, and its actual performance in-use.

We believe that we are the only UK contractor to be taking a structured approach to energy efficiency at this scale, and early indications are that Energy Synergy™ helps our customers make energy and cost savings of between 5-15%. In 2020, we embedded Energy Synergy™ as standard which will see it mandated on all new projects from 2021.

Willmott Dixon Community Solar Energy

In 2020 we developed our innovative Willmott Dixon Community Solar Energy offer. It provides an opportunity for customers to benefit from the environmental and economic benefits of solar photovoltaic (PV) renewable energy generation, without having to invest directly themselves. The model sees a Community Energy Group owning and operating the PV system, with renewable energy being supplied to the building owner at a market-competitive cost.

BUILDING LIVES

In 2019, we exceeded our 2020 target: 'to enhance the life-chances of 10,000 young people'. 2020 saw us launch our Careers Targets to 2030 to continue our work with young people and also those who are facing significant barriers to work.

Due to the need to socially distance, in October we launched our national Building Lives Delivery Suite. This suite of programmes enables us to deliver our social value programmes – with schools, the long-term unemployed or ex-offenders - in a socially-distanced, digital, or face-to-face format.

We received great feedback from the first cohort of students, with all of them saying that their knowledge and understanding of the construction industry had improved. 44 students participated in our virtual work experience during the lockdown and in 2020 overall, we delivered 271 weeks of work experience.

Social Return on Investment

In recent years we have developed our Social Value Account to help us calculate the monetary value to society of our initiatives by using independent proxy financial data. In 2020, we calculated that we delivered £28m of Social Return on Investment (SROI). This is in addition to the benefit to local economies when we buy goods and services locally.

	2019	2020
Local spend: For projects procured via the SCAPE framework % of spend within 40 miles	85%	87%
Social return on investment (in addition to the spend on goods and services)	£41m	£28m
Hours of our people's time volunteered on community activities	46,000	39,000
Value of our people's time, skills, donations and gifts-in-kind, through the Willmott Dixon Foundation	£1.92m	£1.07m
Money raised for good causes	£172,000	£109,000
Number of connections made with individuals	166,611	49,000
% of beneficiaries who said our community activities had a high impact	76%	68%

Social enterprises

Since we started in 2018, we have increased the use of social enterprises in our supply-chain by over 170%.

A good example is Community Wood Recycling. This organisation collects, reuses and recycles waste wood from our sites, whilst simultaneously providing opportunities for disadvantaged people who collect the wood and turn it into items for sale. In 2020, Community Wood removed 841 tonnes of wood from our waste stream which created 11 paid jobs and helped to train 15 individuals.

Although 2020 saw us spend over £420k with social enterprises, they were mainly supporting our office facilities, many of which were closed for most of the year due to Covid-19. As a result, we are now identifying new social enterprises that can be used on our sites and can become part of our preferred supplier list.

BETTER PLANET

Carbon

In 2015, we set an industry-leading target to halve carbon emissions intensity by 2020 (compared with 2010). By the end of 2018 we had reduced our emissions intensity by 59%, beating our target three years early.

Since then, we've further reduced our emissions bringing our total emissions intensity reduction to 66% by the end of 2020, a reduction of 13% compared to 2019. The vast majority of our projects remained active during 2020, despite this year's restrictions. The reduction in emissions is mainly due to lower transport emissions, as a result of reduced travel. The 2020 data includes estimated emissions from homeworking¹.

In 2020, we were amongst the first 213 organisations worldwide to set a science-based target, aligned with limiting global warming to 1.5°C, to become zero-carbon in our operations by 2030. Our aim is to reduce our own emissions to zero so that we will no longer need to offset our carbon footprint.

We calculate our carbon footprint using international standards (the Greenhouse Gas protocol and ISO14064) and our carbon footprint is verified by The Carbon Trust, as part of our accreditation to the Carbon Trust Standard.

Carbon emissions

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Willmott Dixon emissions (tCO ₂ e)	14,141	14,239	14,337	13,659	11,449	11,294	9,227	8,568	8,523	7,635	6,375
Intensity - emissions relative to turnover (tCO ₂ e/£m)	15.77	15.72	15.66	15.19	13.81	10.07	8.59	6.61	6.44	6.13	5.35

2020 carbon emissions by scope

	2020
Scope 1: Site and office gas, site diesel (tCO ₂ e)	2,382
Scope 1: Business travel for company cars (tCO ₂ e)	579
Scope 2: Emissions from purchased electricity (tCO ₂ e)	1,238
Scope 3: Grey fleet business mileage and all commute mileage	1,822
Scope 3: Transmission and distribution losses, working from home equipment and heating ¹ (tCO ₂ e)	269
Scope 3: Train travel for both business and commuting (tCO ₂ e)	85

Methodology

For our carbon emissions we have adopted an operational control approach to the calculations, whereby we have opted to include anything that we directly pay for, within Scope 1 and 2, as well as for selected Scope 3 emissions (more below). The reason for this is that these are the emissions that Willmott Dixon is able to influence and control.

Scope 1 - Site and office gas, site diesel and business mileage for company cars.

Scope 2 - Site and office electricity.

Scope 3 - Grey fleet business mileage, all commute mileage, transmission and distribution losses, train travel for both business and commuting and working from home equipment and heating estimations.

¹ Homeworking emissions calculated using the EcoAct methodology. <https://info.eco-act.com/en/homeworking-emissions-whitepaper-2020>

Willmott Dixon categorises its Greenhouse Gas emissions as Scope 1, 2 and 3 as described in the WBCSD/WRI Greenhouse Gas Protocol Reporting standard (revised edition, March 2004). Emissions have been calculated as tonnes of carbon dioxide equivalent (tCO₂e) for Scope 1, 2 and selected Scope 3 sources using conversion factors listed in the relevant Defra Greenhouse Gas Conversion Factors for Company Reporting for the relevant year. All Scope 2 emissions are calculated using the location-based methodology.

Energy

In line with the best practice of the Government's Streamlined Energy and Carbon Reporting which are part of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, our energy use is included. As of 2019, our energy footprint has been externally audited by Bureau Veritas. Our energy scope follows the same methodology as our carbon reporting (using kWh rather than tCO₂e). However, our energy footprint also includes energy from activities on site where we have consumed the energy but are not directly paying for it (mainly customer electricity).

Energy Use

	2019	2020
Energy Use (including customer procured energy) (kWh)	35,830,867	29,818,813
Energy Use (excluding customer procured energy) (kWh)	29,800,766	25,813,221

Sustainable transport

Now or Never commits us to reducing our absolute mileage by 65% and to migrate to a 100% electric fleet by 2030. In January 2021, we launched our new car scheme benefit, giving all of our people access to a large range of cars with emissions under 120g CO₂/km, at reduced rates whilst saving on tax and NI.

Our green bonus scheme was updated to further support and incentivise our people to choose electric vehicles. In 2020, we paid out £22.8k in green bonuses.

Carbon neutral since 2012

In line with our target to become a zero-carbon company by 2030, we are focusing on reducing our emissions to zero.

In the meantime, we continue to offset our unavoidable emissions and have been carbon neutral or net zero since 2012. In 2020 we invested in the Uganda Borehole Rehabilitation Project to offset our 2019 emissions – the third year we have supported the project. The project works with local communities to identify and repair broken boreholes, which reduces the need for communities to boil water before drinking, thus reducing carbon emissions. This project was the first to implement the new Gender Equality methodology from the Gold Standard.

We self-declare our carbon neutrality according to PAS 2060 guidelines.

Waste

Construction waste per £100k of project turnover

2012	2013	2014	2015	2016	2017	2018	2019	2020
14.6m ³	10.4m ³	10.9m ³	8.7m ³	7.2m ³	6.4m ³	6.3 m ³	6.5m ³	6.2m ³

Since 2012, we have reduced construction waste intensity by 58%, nearly reaching our 60% reduction target by 2020. During 2020 we updated our waste prediction tool to allow our projects to set their own bespoke waste reduction targets and we are focusing on early interventions long before a project goes on site.

Waste diverted from landfill (non-hazardous construction waste only)

2015	2016	2017	2018	2019	2020
90%	>95%	96.7%	>96%	98.6%	99.0%

In 2020, diversion of construction waste from landfill remained consistent with performance in 2019. In 2020 we continued to work with our demolition contractors and also our groundworkers which resulted in a massive 27.6% increase in the amount of excavation waste diverted from landfill.

Waste diverted from landfill (Demolition and Excavation waste only)

Year	2019	2020
Demolition Waste	95.0%	95.6%
Excavation Waste	56.9%	84.5%

Biodiversity

Now or Never recognises that the industry has an important part to play in restoring our environment and bringing nature into communities. Our aim is to enhance the environments in which we work, supporting our customers to deliver biodiversity net gain.

Our focus during 2020 has been to work with our customers to identify projects suitable for piloting our biodiversity net gain approach ahead of it becoming a statutory requirement as part of the Environment Bill. We continued to collect information on what is being done on our projects to improve our performance and inform our approach in the future.

Water

In 2018 our water data was verified by Bureau Veritas for the first time, setting a baseline for further reductions in future years. In 2020 our performance improved by over 20% from 2019.

Water intensity (m³ per £100k project turnover)

2018	2019	2020
6.24	7.16	5.66

Project Performance

We drive sustainability on our projects via our 10 Point Plan which sets project-level targets aligned to our headline ambitions.

2020 is the last year that the 10 Point Plan will be used on our projects; in 2021 it will be replaced by commitments in line with Now or Never. Overall average performance dipped slightly in 2020 due to the challenges and demands on site teams from the Covid-19 pandemic, but remained high at an average of 7.6.

Average 10 Point Plan score across all completed projects; scores out of 10

2015	2016	2017	2018	2019	2020
5.9	6.9	6.4	6.8	8.0	7.6

Considerate Constructors Scheme and CLOCS

We are associate members of the Considerate Constructors Scheme and register all eligible sites. Contractors signing up to the scheme agree to abide by its voluntary Code of Considerate Practice, which covers site appearance, community engagement, safety, care for the environment and care for the workforce.

Our 2020 average Considerate Constructors Scheme score across all projects was 41.78/50 – 9% higher than industry average.

Considerate Constructors Scheme Score – average marks out of 50 across all projects

	2015	2016	2017	2018	2019	2020
Willmott Dixon Considerate Constructors average	40.29	40.58	41.26	41.39	41.46	41.78
Industry Considerate Constructors average	35.59	36.00	36.12	36.24	36.73	38.33

Our commitment as a Champion of the Construction Logistics Community Safety (CLOCS) was sustained in 2020, with increased monitoring assurance of vehicles in line with the Fleet Operator Recognition Scheme (FORS) Silver Standard.

Risk management and compliance

We maintained an integrated risk management system for health, safety and environmental disciplines (Environmental Management System ISO14001:2015, Health and Safety system ISO45001:2018). Alongside this, our associated policy and procedures are recognised by these international standards for communications, IT, sustainability commitments and people. In 2020 we had four major incidents. Our incident response procedures were followed with full communication to all stakeholders and no further action was taken. We had no prosecutions during the year.

We believe that the most effective way to improve environmental compliance is to promote a culture of openness, where everyone recognises risk, is vigilant and aware of their responsibilities to address issues.

ONE TEAM

Reducing carbon in our supply chain

Following extensive work in 2020 we became the first contractor, and one of only three companies to achieve Level 3 of the Carbon Trust's Supply Chain Standard in March 2021. The Standard recognises organisations which can demonstrate that they are measuring, managing, and reducing carbon emissions from their supply chains.

We are a founding member of the Supply Chain Sustainability School. This virtual school provides free training on a range of environmental and social topics for the industry's shared supply chain. At the end of 2020, 120 companies in our supply chain were members of the school. 46 of these are either a Gold, Silver or Bronze member.

We are part of the Supply Chain Sustainability School's Carbon Working Group. In 2020, we contributed to the development of a tool that all the school's members can use to calculate their carbon footprint. The school comprises more than 5,000 subcontractors.

Prompt payment

We know how important cash-flow is to our supply chain partners, particularly those that are SMEs, so we make it a priority to pay them promptly. In 2020, our average payment time was 30 days with 98% paid within 60 days.

As well as giving our partners more confidence to work with us, this shows that our cash position does not rely on unfair supply chain payment terms or on holding back payments.

Sustainable Procurement

We updated and reissued our Sustainable Procurement Policy to reflect the direction of our new business strategy, Now or Never.

Changes include requirements to minimise and measure the embodied carbon in the goods, works and services we procure and ensuring that all our supply chain partners undertake initiatives to promote greater environmental responsibility.

It also outlines our preference to work and engage with SME's and social enterprises, and for our supply chain partners to pay the Real Living Wage to their workforce.

We are signatories of the People Matter Charter, through the Supply Chain Sustainability School. The aim of the Charter is to address people issues, regardless of where they exist globally. The charter demonstrates our commitment to improving standards for our people and our supply chain.

Modern Slavery

In 2020 we published our updated Modern Slavery Statement, which summarises our progress and future plans. Our updated Sustainable Procurement Policy stipulates that all our goods supply chain partners must comply with the requirements of the Modern Slavery Act and Willmott Dixon's Modern Slavery policy.

We continued our partnership with Stronger Together, offering a series of free workshops to our people and our supply chain partners on spotting the signs of modern slavery and taking action to prevent it.

As part of our continued responsibility as a signatory of the Gangmasters' and Labour Abuse Authority's Construction Protocol, and as a founding member of both Stronger Together's Construction Group and the Supply Chain Sustainability School, we continued to raise awareness of the issue of modern slavery.

THE BEST WE CAN BE

Health, safety, wellbeing

Safeguarding the health, safety and well-being of our people, those who work with us and anyone affected by our works, is always a top priority. Our core belief is that no one should suffer from ill health, (physical or mental) or an accident at work.

The accident frequency rate is calculated against hours worked. In 2020, our rate increased by 0.01, whilst the hours worked fell by around one million hours. We also saw a 29% reduction in service strike incidents.

	Fatal	Accident frequency rates*
2015	0	0.19 **
2016	0	0.08 **
2017	0	0.11
2018	0	0.12
2019	0	0.10
2020	0	0.11

* number of reportable accidents per 100,000 hours worked. ** figure externally audited

In 2020 we continued with our 'All Safe Minds' campaign, which aims to combat the stigma associated with mental illness and encourages our people, and those we work with, to seek help if they are experiencing mental health issues, such as stress or depression.

Supporting our people through the pandemic

The pandemic has meant a dramatic change in the way we all work.

Throughout the pandemic, we kept our sites open, adapting to abide by the Government backed Construction Leadership Council Site Operating Procedures to be Covid-19 secure. We also continued to challenge assumptions about the way we work on site by embedding agile working practices where possible.

The pandemic provided us with the opportunity to accelerate agile working across the business. We supported our people working remotely through a range of activities, including improvements to IT functionality, financial support for homeworking as well as training to support safety and wellbeing whilst working at home.

Gender balance and diversity

Throughout the pandemic our Board was clear: our 50/50 gender balance aspiration was not negotiable. Despite an unprecedented six months, the percentage of women in the business dipped slightly to 26.9%.

We were ranked as the UK's best performing construction company in the Financial Time's Diversity Leaders list and for the second year running, we appeared in The Times' Top 50 Employers for Women list.

Chief Executive, Rick Willmott was named as HR Magazine's People Focused CEO of 2020 and our Chief People Officer Rick Lee, was recognised with an OBE for services to Business and Equality in the 2021 New Year Honours list. Rick Lee's recognition follows his role as a member of the influential Women's Business Council, where he has worked with a senior level team drawn from a range of UK businesses to drive diversity and inclusion in the workplace.

% female and BME

	2015	2016	2017	2018	2019	2020
% female	21.7%	22.8%	24.3%	25.5%	27.1%	26.9%
% BME	7.1%	6.9%	7.0%	6.6%	7.1%	6.8%

Inclusion

We know we need to attract a more diverse workforce to build teams that reflect the communities we serve and to make us a better business.

In November, we became an accredited Real Living Wage employer.

We also signed up to the Social Mobility Pledge.

We are an approved Disability Confident employer and are a signatory to the RICS inclusive employer scheme and continue to be a member of the Business Disability Forum.

This year, we have been awarded the Ministry of Defence (Employer Recognition Scheme) Silver level for our commitment to helping ex-armed forces back into work. We have been signatories of the Care Leavers Covenant since 2019.

Being an employer of choice

In 2020, we came fifth in The Sunday Times Top 100 Best Mid-sized Companies to work for list and gained a top score for Giving Something Back. Our score of 88% for having a strong social and environmental conscience was the highest among all companies on the list.

Attracting the next generation

2020 saw us continue our work to increase apprenticeships in the business.

Management trainees and apprentices employed

	2015	2016	2017	2018	2019	2020
Management trainees	123	119	134	131	146	109
Directly-employed apprentices	5	3	8	8	12	10

As members of the 5% club we pledge that at least 5% of our workforce will be in formalised apprenticeships, sponsored students or on graduate development schemes. At the end of 2020, 5.8% of our people fulfilled those criteria.

Investing in our people

Our Construction business has been awarded Investors in People (IIP) – Platinum, the highest accolade possible for the top benchmark for people investment and development. This follows on from Gold for Willmott Dixon Interiors.

2020 accelerated our plans to produce learning resources to help our people understand how to work and lead virtually. By mid-2021, around 60% of our learning resources will be online, so that our people can access them whenever and wherever they need them. We secured funding from CITB to support the transition of our leadership learning resources to the virtual world as well as support the development of a school of coaching.

Total amount spent on learning and development

2015	2016	2017	2018	2019	2020
£1.8m	£2.5m	£3.1m	£3.4m	£3.4m	£1.0m

CHANGE MAKERS

Adapting to a changing world is a key priority for our business. In 2020, we renewed our focus on innovation.

Leading the agenda

In 2020, we were a founding signatory of the UK Contractors Declare Climate and Biodiversity Emergency Commitment and we continued to push for policy changes which support a more sustainable built environment through our membership of industry and cross-sector groups, including: The Aldersgate Group, Supply Chain Sustainability School, the UK Green Building Council, Institute for Corporate Responsibility and Sustainability, IEMA, Build UK, National Social Value Taskforce, Social Value UK, and BSRIA.

Willmott Dixon people sit on the Boards of BSRIA, ERBE, the Supply Chain Sustainability School, UKGBC and Aldersgate Group.

Our people also sit on working groups which support the UKGBC Advancing Net Zero Framework, the Better Building Partnership's 'Design for Performance' initiative, and CIBSE guidance to ensure new homes meet the challenges of the Future Homes Standard. We have also signed up to the World UKGBC's Net Zero Carbon Buildings Commitment.

Our people continued to influence and share best practice across the industry. They spoke at a range of conferences including UK Construction Week, Construction News' Inspire Me, edie, CIBSE, BSRIA Soft-Landings and Passivhaus Trust events. Our work featured in a range of publications showcasing best practice, including Construction News, edie, BusinessGreen and LBG.

Collida

In 2020 we developed Collida, Willmott Dixon's integrated construction platform. The Collida platform uses cutting-edge technology to provide customers with greater ownership of the design, procurement, delivery and maintenance of their buildings. All Collida products offer excellent environmental performance through achieving net zero carbon in operation, being designed to meet future climate scenarios, optimising life-cycle value and incorporating our EnergySynergy™ process.

Digital transformation

In 2020, our IT team made great progress in keeping the business operating effectively by enabling us to work remotely. The entire company now has access to Microsoft 365 including Teams videoconferencing software, and 80% of our people have received a new laptop or have had their existing device upgraded.

We improved digital connectivity on our sites, increasing the number of sites with the best possible connection by 30% in 2020.

Remote working has seen our travel and expenses reduce by more than £4m across the whole business in 2020. On average, the business now makes around 20,000 Teams calls a month.

We have held the Cyber Essentials Plus accreditation for the past three years. The accreditation ensures all our IT systems are secure. In 2021, we are seeking to achieve the ISO27001 certification, which ensures we have a risk management system in place. With more of our people working from home, we have taken steps to improve cybersecurity, launching a multi-factor authentication process and educating our people through learning sessions. Our IT training videos have been viewed over 1.5k times.

The Yellow Book

Our internal Yellow Book continues to be updated to provide our people, designers, customers and supply chain partners with clear, informed guidance and mandatory design and product choices. In 2020, our Yellow Book had over 25,000 individual visits. The positive impact of the Yellow Book is evidenced by the quality of our end-product and a reduction in the cost of rectifying errors.

Building modelling

In 2020 we continued to trial 4D planning which integrates our 3D models and project programmes. This is enabling us to better visualise our construction intentions and their interdependency with time. We trialled both 3D and 4D visualisations with our customers, our site teams and our supply chain partners, to help improve the quality of our end-product, health and safety and increase productivity. Our ambition is to make such approaches our new norm.

INDEPENDENT VERIFICATION STATEMENT



Introduction

Bureau Veritas UK Limited ("Bureau Veritas") was commissioned by Willmott Dixon to verify its performance against selected sustainability Key Performance Indicators (KPIs), thereby providing assurance to stakeholders on the accuracy and reliability of this data.

Scope and Methodology

The KPI period assessed is from 1st January 2020 to 31st December 2020.

Verification of performance data was carried out through a process of document review, data sampling, interrogation of supporting databases and associated reporting systems and email exchanges.

Assessment of Achievement

The table below reflects Willmott Dixon's Key Performance Indicators as verified by Bureau Veritas:

KPI	Verified Performance
Carbon footprint (location based) ^a	6,375 tCO ₂ e
Energy Usage ^b	29,818,813kWh
Construction Waste Diverted from Landfill ^c	98.96%
Demolition Waste Diverted from Landfill ^d	95.63%
Excavation Waste Diverted from Landfill ^e	84.47%
Construction Waste Generated ^f	6.21 m ³ /£100k
Average Considerate Constructor Scheme (CCS) score ^g	41.78
Value of Community Investment (Company Contribution)	£1,069,929.75
Average Training Days per employee ^h	0.94
Water Intensity ⁱ	5.66 m ³ /£100k

^a The scope of the carbon footprint (location-based) includes carbon that Willmott Dixon is directly responsible for paying for. This includes site electricity (location-based, incl. T&D losses), gas & diesel, office electricity (location-based, incl. T&D losses) & gas, business & commute mileage (grey fleet, company cars and train travel), homeworking electricity & gas.

^b The scope of the energy footprint follows the same boundary as the carbon footprint, but also includes client electricity that Willmott Dixon have used whilst on site (but have not directly paid for) in line with SECR requirements.

^c Non-hazardous waste.

^d Non-hazardous waste.

^e Non-hazardous waste.

^f Based on m³ per £100k of project value.

^g Score out of 50.

^h Based on the average number of employees throughout 2020 and six hour training days.

ⁱ Based on m³ per £100k of project value.

Bureau Veritas Opinion

Based on our investigations, it is our opinion that the above table is a reliable reflection of progress against these KPIs.

Bureau Veritas is confident that no material information has been withheld which could affect stakeholders' ability to make informed judgments on Willmott Dixon's 2020 performance.

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 and records were reviewed as part of this assessment.

This statement should not be relied upon to detect all errors or omissions that may exist within the data sets reviewed.

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.

Bureau Veritas UK Ltd
London
March 2021

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Results

The Group profit for the year, before taxation, goodwill amortisation and profit on sale of subsidiary amounted to £22,759,000 (2019: £25,760,000). Goodwill charged in the year amounted to £2,361,000 (2019: £2,353,000), profit on disposal of subsidiary was £nil (2019: £29,753,000) and the tax charge in respect of this result is £4,767,000 (2019: £5,310,000).

Distributions in respect of the year

The Directors approved the payment of dividends totaling £16,750,000 for the year (2019: £20,000,000).

Post balance sheet event

On 31 March 2021, the Group entered into a new Revolving Credit Facility with committed funding of £33,333,333 to 31 March 2024, with an accordion facility providing for this to increase to up to £50,000,000.

Directors

The current Directors are listed on page 1.

The following changes in directors have occurred since 1 January 2020:

	Appointed
Jonathan Porritt	21 April 2020

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 believes that the most successful companies are those that embrace inclusion, equality and diversity for their people by creating truly complementary teams. This was evidenced by achieving fifth place in the Sunday Times Top 100 Best Companies to Work for list during the year – the second year in a row to claim a top 5 place. The Group is leading in support for the 'Inspiring Women in Construction' campaign to attract more women into the construction sector and has high aspirations to improve gender balance across all roles in the future. The Group also placed in the top 6% of 850 European companies in the Financial Times 2020 list of diversity leaders. 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. The Group operates a number of performance related pay schemes for its people.

The Group has put in place third party indemnity provisions for all Directors.

Streamlined Energy & Carbon Reporting

Streamlined Energy & Carbon Reporting has been included in the Sustainable Development Report.

Taxation policy

The Group believes that it has a duty to shareholders to seek to minimise its tax burden, but to do so in a manner which is consistent with its commercial objectives and meets its legal obligations and ethical standards.

While effort is made to maximise the tax efficiency of business transactions, including taking advantage of available tax incentives and exemptions, the Group has regard for the intention of the legislation concerned rather than just the wording itself.

The Group is committed to building open relationships with tax authorities and to follow a policy of full disclosure in order to effect the timely settlement of its tax affairs and to remove uncertainty in its business transactions. Where appropriate, the Group enters into collaborative consultation with its Customer Relationship Management team appointed by the tax authorities.

The Group monitors and reviews this policy on a regular basis to ensure that it remains appropriate for the changing environment within which the Group operates.

Financial instruments and risk management

The Group is exposed to a number of financial risks in the normal course of business.

Credit risk arises from trade debtors and amounts recoverable on contracts. Policies are established by the Board to ensure that appropriate due diligence is completed and approval obtained ahead of entering into new contracts with customers. Systems, procedures and policies ensure regular monitoring is in place and dedicated credit control teams operate in each trading subsidiary. The Group does not have high levels of exposure concentrated with any one customer and all turnover comes from the United Kingdom. The nature of its contracts means that the price risk to which the Group is subjected is minimal.

Inflation risk comes from entering into long term, fixed price contracts. This is mitigated through early and regular engagement with supply chain partners and by making cost provisions where necessary. Direct contracts with overseas suppliers are uncommon but, when relevant, Group standards require contracts to be made in the home currency wherever possible and that foreign exchange risk is hedged with forward foreign exchange contracts otherwise.

The Group currently has no debt but has a policy of hedging interest rate risks with forward contracts should any material loans be drawn on a variable rate of interest.

The Directors regularly review cash flows, working capital forecasts and banking covenant headroom, including sensitivities on business performance and the timing of receipts to ensure that it has adequate resources to manage the liquidity risk to which it is exposed. Directors regularly monitor the bonding facilities available to the Group to ensure that significant headroom is maintained against forecast requirements.

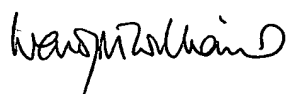
Disclosure of information to the auditor

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.

Disclosures included in the Strategic Report

The Company has elected to include information on future developments as per schedule 7 of the "Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008" as the directors consider those matters to be of strategic importance to the Company.

By Order of the Board:



Wendy McWilliams
Secretary

22 April 2021

WILLMOTT DIXON LIMITED
Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

WILLMOTT DIXON LIMITED

Independent Auditor's Report to the Members of Willmott Dixon Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 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.

We have audited the financial statements of Willmott Dixon Limited and its Subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

WILLMOTT DIXON LIMITED

Independent Auditor's Report to the Members of Willmott Dixon Limited

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the directors and other management (as required by auditing standards).
- we had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered that extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- with the exception of any known or possible non-compliance, and as required by auditing standards, our work included agreeing the financial statement disclosures to underlying supporting documentation, review of board minutes, enquiries with management, enquiries of external advisers, review of correspondence with external legal advisors and review of press releases.
- we communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

WILLMOTT DIXON LIMITED

Independent Auditor's Report to the Members of Willmott Dixon Limited

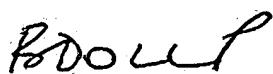
- we addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries in particular unusual account combinations or posted by senior management. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud in particular in relation to contract accounting, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Use of our report

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



Kieran Storan (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street, London, United Kingdom

22 April 2021

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

WILLMOTT DIXON LIMITED

Consolidated Statement of Profit and Loss and Other Comprehensive Income

Year Ended 31 December 2020

		2020			2019		
	Notes	Before goodwill amortisation £000	Goodwill amortisation £000	Total £000	Before goodwill amortisation and profit on sale of subsidiary £000	Goodwill amortisation and profit on sale of subsidiary £000	Total £000
Turnover	3	1,191,556	-	1,191,556	1,246,373	-	1,246,373
Cost of sales		(1,087,674)	-	(1,087,674)	(1,113,466)	-	(1,113,466)
Gross profit		103,882	-	103,882	132,907	-	132,907
Administrative expenses		(86,814)	(2,361)	(89,175)	(107,604)	(2,353)	(109,957)
Other operating income	4	5,146	-	5,146	-	-	-
		22,214	(2,361)	19,853	25,303	(2,353)	22,950
Share of results of joint ventures		-	-	-	(11)	-	(11)
Profit on sale of subsidiary		-	-	-	-	29,753	29,753
Operating profit		22,214	(2,361)	19,853	25,292	27,400	52,692
Interest payable and similar charges	5	(732)	-	(732)	(494)	-	(494)
Interest receivable	6	1,277	-	1,277	962	-	962
Profit on ordinary activities before taxation	7	22,759	(2,361)	20,398	25,760	27,400	53,160
Tax on profit on ordinary activities	10			(4,767)			(5,310)
Profit and total comprehensive income for the financial year				15,631			47,850

The above figures relate to continuing operations.

The notes on pages 43 to 58 form part of these financial statements.

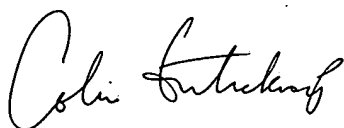
WILLMOTT DIXON LIMITED
Consolidated Balance Sheet

As at 31 December 2020

	Notes	2020		2019	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	12		19,309		21,823
Tangible assets	13		6,248		6,116
			25,557		27,939
Current assets					
Debtors	15	283,236		269,785	
Cash at bank and in hand		25,306		22,092	
		308,542		291,877	
Creditors: amounts falling due within one year	16	(268,861)		(263,175)	
Net current assets			39,681		28,702
Total assets less current liabilities			65,238		56,641
Creditors: amounts falling due after one year	17		(15,299)		(15,404)
Provisions for liabilities	19		(10,292)		(471)
			39,647		40,766
Capital and reserves					
Called up share capital	20		12,000		12,000
Share premium account	21		5,407		5,407
Profit and loss account			22,240		23,359
			39,647		40,766

The notes on pages 43 to 58 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 22 April 2021 and were signed on its behalf by:



Colin Enticknap
Group Chairman

WILLMOTT DIXON LIMITED
Company Balance Sheet

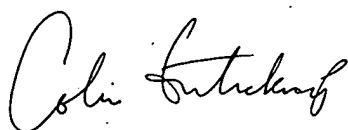
As at 31 December 2020

		2020		2019	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	13		25		28
Investments	14		51,067		51,067
			51,092		51,095
Current assets					
Debtors	15	2,015		2,964	
Cash at bank and in hand		12,000		11,001	
		14,015		13,965	
Creditors: amounts falling due within one year	16	(38,648)		(38,850)	
Net current assets			(24,633)		(24,885)
Total assets less current liabilities			26,459		26,210
Capital and reserves					
Called up share capital	20		12,000		12,000
Share premium account	21		5,407		5,407
Profit and loss account			9,052		8,803
			26,459		26,210

The notes on pages 43 to 58 form part of these financial statements.

The profit after tax of the Parent Company for the year ended 31 December 2020 is £16,999,000 (2019: £22,029,000).

These financial statements were approved and authorised for issue by the Board of Directors on 22 April 2021 and were signed on its behalf by:



Colin Enticknap
Group Chairman

WILLMOTT DIXON LIMITED
Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Notes	Share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
1 January 2019		12,000	5,407	(4,491)	12,916
Profit and total comprehensive income for the financial year		-	-	47,850	47,850
<u>Contributions by and distributions to owners:</u>					
Ordinary dividends	11	-	-	(20,000)	(20,000)
31 December 2019		12,000	5,407	23,359	40,766
1 January 2020		12,000	5,407	23,359	40,766
Profit and total comprehensive income for the financial year		-	-	15,631	15,631
<u>Contributions by and distributions to owners:</u>					
Ordinary dividends	11	-	-	(16,750)	(16,750)
31 December 2020		12,000	5,407	22,240	39,647

The notes on pages 43 to 58 form part of these financial statements.

WILLMOTT DIXON LIMITED
Company Statement of Changes in Equity

Year ended 31 December 2020

	Notes	Share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
1 January 2019		12,000	5,407	6,774	24,181
Profit and total comprehensive income for the financial year		-	-	22,029	22,029
<u>Contributions by and distributions to owners:</u>					
Ordinary dividends	11	-	-	(20,000)	(20,000)
31 December 2019		12,000	5,407	8,803	26,210
1 January 2020		12,000	5,407	8,803	26,210
Profit and total comprehensive income for the financial year		-	-	16,999	16,999
<u>Contributions by and distributions to owners:</u>					
Ordinary dividends	11	-	-	(16,750)	(16,750)
31 December 2020		12,000	5,407	9,052	26,459

The notes on pages 43 to 58 form part of these financial statements.

WILLMOTT DIXON LIMITED
Consolidated Cash Flow Statement

Year ended 31 December 2020

		2020	2019
	Notes	£000	£000
Cash flow from operating activities			
Group operating profit		19,853	52,692
Depreciation of tangible assets	13	1,918	1,450
Loss on disposal of tangible assets	7	108	48
Goodwill amortisation	12	2,361	2,353
Amortisation of intangible assets	12	560	233
Loss on disposal of intangible assets	7	-	54
Other non-cash movements		-	21
Movement in provisions	19	9,821	6,227
Decrease in operating investments		-	(11)
Profit on disposal of subsidiary		-	(29,753)
(Increase)/decrease in debtors		(14,055)	12,363
Increase/(decrease) in creditors		5,581	(37,272)
Cash flow from operating activities		26,147	8,405
Cash flow from investing activities			
Net cash disposed of with subsidiary		-	(750)
Purchases of tangible assets	13	(2,158)	(4,158)
Purchases of intangible assets	12	(407)	(406)
Interest received	6	1,277	962
Acquisition of subsidiary		-	(49)
Repayment of loan from joint venture		-	(50)
Cash flow from investing activities		(1,288)	(4,451)
Cash flow from financing activities			
Advances from group companies		(4,163)	22,545
Interest paid	5	(732)	(427)
Dividends paid	11	(16,750)	(20,000)
Cash flow from financing activities		(21,645)	2,118
Increase in cash and cash equivalents		3,214	6,072
Cash and cash equivalents 1 January 2020		22,092	16,020
Cash and cash equivalents 31 December 2020		25,306	22,092

The notes on pages 43 to 58 form part of these financial statements.

A reconciliation of the change in net debt has not been included as there are no borrowings at the year end or movement in debt during the year.

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, or fair value where required, and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Companies Act 2006.

b) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

As at 31 December 2020, the Group had substantial cash balances, no debt, access to secured bank facilities, and a strong forward secured order book. On 31 March 2021, the Group entered into a new Revolving Credit Facility with committed funding of £33,333,333 to 31 March 2024, with an accordion facility providing for this to increase to up to £50,000,000.

With construction operations remaining open throughout the year, including through the strictest national lockdowns, the Directors do not anticipate the roadmap out of the Covid-19 pandemic to have an impact on the going concern status of the Group.

The Directors regularly review the working capital requirements of the Group in the normal course of business and, in doing so, consider a range of hypothetical sensitivities concerning workload and cash generation decline. Those sensitivities include stress testing scenarios including the potential impact of workload and cash flow from operating activities being reduced significantly.

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

c) Basis of consolidation

The Group accounts consolidate the accounts of Willmott Dixon Limited and its subsidiaries for the year ended 31 December 2020. An entity is considered to be a subsidiary where it is controlled by the parent. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the carrying amount of the assets less liabilities of the subsidiary.

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, the period being 10-20 years.

In preparing the financial statements of the parent company, advantage has been taken of the following disclosure exemptions under FRS 102 and section 408 of the Companies Act 2006:

- No profit & loss account or cash flow statement has been presented for the Parent Company;
- Certain disclosures in respect of the Parent Company's financial instruments have not been presented as these are included in the disclosures made in respect of the Group;
- No disclosure has been given in respect of the Parent Company's aggregate remuneration of key management personnel as these are included in the disclosures made in respect of the Group;
- No disclosure of related party transactions entered into between two or more wholly owned members of the Group has been given.

Certain disclosures in respect of the Company's financial instruments have not been presented as these are included in the disclosures made in respect of the Group.

d) Turnover

Turnover on construction contracts is measured at the fair value of consideration receivable and ascertained in a manner appropriate to the stage of completion and the anticipated final value of the contract.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is measured at the fair value of consideration received or receivable.

All turnover is stated net of VAT.

e) Construction contracts

Turnover and profit on construction contracts is ascertained in a manner appropriate to the stage of completion of the contract. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract.

Profit on contracts is only recognised when the Group is satisfied that the risks on a contract have been mitigated to a suitable level so that the outcome of work under the contract can be assessed with reasonable certainty. When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Variations and claims are recognised once there is sufficient certainty over the probability that they will be received, and the amount can be measured reliably.

Amounts recoverable on contracts represent the excess of the value of surveyed work over amounts invoiced or certified at the balance sheet date. Where amounts invoiced or certified at the balance sheet date exceed the amount of work completed, the excess is included within payments on account.

f) Government grants

Government grants are recognised based on the accrual model and are measured at the fair value where there is reasonable assurance that the grant will be received. Amounts received are recognised over the period in which the related costs are recognised. In the current year, grant accounting has only been applied to the Job Retention Scheme launched as part of HM Governments response to the COVID-19 pandemic. This is shown within Other Operating Income.

g) Computer software

Computer software is capitalised as an intangible asset and amortised over its useful economic life. Cost is measured at the purchase price of the asset. The expected useful life of software is assessed as 2-5 years.

h) Tangible assets

Tangible assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible 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:

Leasehold improvements	- 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

i) Debtors and financial instruments

Debtors comprising basic financial instruments are stated at amortised cost, reflecting provisions for impairment when amounts are not considered to be recoverable.

Trade debtors falling due after more than one year in respect of shared equity scheme are stated at fair value with any change in fair value during the year recognised in the profit and loss account. The valuations are determined internally by the directors taking into account the original purchase price of the asset, condition of the asset and recent market sales data in respect of comparable properties.

j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

k) Creditors and financial instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations. Financial liabilities excluding derivatives, are initially measured at transaction price and subsequently held at cost, less impairment.

The Group operates a supply chain finance scheme with Lloyds Bank plc and HSBC Bank plc. Amounts made available to supply chain partners ahead of their contractual due date under this arrangement are recorded as trade creditors under supply chain finance. Associated finance charges are recognised as interest payable in the profit and loss account. Repayments of supply chain finance are shown in operating cashflows.

l) Pre-contract costs

Pre-contract costs are expensed to the profit and loss account until such time that the value of any recovery can be assessed reliably and it becomes probable that the related contract will be awarded to the Group.

m) Investments

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

n) Current and deferred taxation

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the reporting date.

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

o) Provisions

On contracts that have achieved practical completion but are still within the defects liability period, provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the best estimate of the consideration required to settle the obligation present at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation, net of forecast recoveries from third parties. Movements in provisions are recognised in Cost of Sales.

p) 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.

q) Research and development

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

r) Retirement benefits

Contributions to the Group's defined contribution pension scheme are expensed to the profit and loss account in the year to which they relate. The Group does not operate any form of defined benefit pension scheme.

2 Significant accounting judgements and estimates

The preparation of accounts under FRS 102 requires management to make judgements, estimates and assumptions that affect the value of the turnover and profit reported in the profit and loss account for the financial year and the value of assets and liabilities recorded in the balance sheet.

The following items are those that management considers to have the most significant effect on the financial statements:

a) Impact of Covid-19

Management has exercised judgment in evaluating the impact of Covid-19 on the financial statements. Management assessed areas relevant for the Group which had the potential to be impacted such as: expected credit losses; impairment of stocks; goodwill, intangible and tangible asset impairment and deferred tax asset recognition. In light of the Group's strong and resilient performance during the period, management concluded there was no material impact in these areas and no new sources of estimation uncertainty.

b) Construction contracts

Recognition of turnover and profit on construction contracts requires management judgement regarding the anticipated final outcome of individual contracts and of the proportion of works completed at the balance sheet date. Management undertakes detailed reviews on a monthly basis in order to exercise judgement over the outcome of each contract and the associated risks and opportunities.

The value of work completed at the balance sheet date is assessed by undertaking surveys and completing internal valuations on each element of works completed and in progress. Regular management reviews of contract progress include a comparison of internal valuations to the applications for payment made by supply chain partners and to external valuations completed on behalf of customers. Any material variances are investigated and updates made where appropriate.

The estimation of the final contract value includes assessments of the recovery of variations which have yet to be agreed with the customer, compensation events and claims that are probable to be agreed. The total estimated variations of the five contracts with the largest variations being claimed is £47,957,000. Of this total, £28,622,000 has been included in the anticipated final contract values as management consider this can be reliably measured and to be the total considered probable that will be agreed with the customer, of which £11,355,000 has been recognised as turnover to 31 December 2020.

The age, nature and recoverability of all debtors and amounts recoverable on construction contracts are reviewed regularly by management and provisions made where appropriate.

Procedures, internal finance standards and management tools are in place to ensure that estimates are applied and results determined on a consistent basis.

c) Goodwill

Goodwill arises on acquisitions and is based upon the fair value of assets and liabilities acquired. It is amortised over the useful economic life of the goodwill. The Directors are therefore required to make judgements and assumptions regarding the value of assets and liabilities acquired, the cash generating units (CGUs) to which they relate and the future cash flows forecast from those CGUs.

Management reports, budgets and strategic plans are prepared by management and reviewed and approved by the Board for each CGU and are used to assess their future cash flows and useful life.

d) Provisions and recoveries

In the normal course of trading, claims may arise on contracts within their defects liability period that require judgement on the likely outcome of the claim. This requires an assessment of contractual obligations and on the likely conclusion of any on-going discussions.

Where it is deemed probable that costs will be incurred, judgement is needed to estimate the provision required for obligations existing at the balance sheet date. Where applicable, these estimates are regularly reviewed by management and derived from a combination of internal valuations, current industry pricing metrics, third party quotes and independent expert advice.

In making provisions for probable costs, it is also necessary for Directors to consider recoveries of associated costs from third parties. This requires an assessment of contractual arrangements and insurance policies with consideration given to relevant precedents and to professional advice. Consideration is also given to the dialogue and correspondence with third parties to date and the financial strength of the third party in meeting their obligations to the company.

3 Turnover

All turnover is derived in the UK through the following operating activities:

	2020	2019
	£000	£000
Construction contracts:		
Construction	1,024,773	1,097,462
Interiors	166,783	148,911
	1,191,556	1,246,373

4 Other operating income

	2020	2019
	£000	£000
Government grants	5,146	-

Other operating income comprises government grants received under the Job Retention Scheme launched as part of HM Governments response to the Covid-19 pandemic.

5 Interest payable and similar charges

	2020	2019
	£000	£000
Supply chain finance costs	308	427
Group interest paid	424	67
	732	494

6 Interest receivable

	2020	2019
	£000	£000
From group companies	1,275	962
External interest	2	-
	1,277	962

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

	2020	2019
	£000	£000
Depreciation of tangible assets – owned assets	1,918	1,450
Loss on disposal of tangible assets	108	48
Goodwill amortisation	2,361	2,353
Amortisation of other intangible assets – owned assets	560	233
Loss on disposal of intangible assets	-	54
Operating lease rentals	4,687	5,638

Auditor's remuneration for audit and other services is paid by Willmott Dixon Holdings Limited.

8 Employees

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

	Group	
	2020	2019
	No.	No.
Office and administration	566	569
Site and production	1,360	1,330
	1,926	1,899

Staff costs, excluding directors, during the year amounted to:

	Group	
	2020	2019
	£000	£000
Wages and salaries	119,083	121,450
Incentive payments to staff	10,545	15,040
Total wages and salaries	129,628	136,490
Pension contributions	6,527	5,400
Social security costs	14,438	15,934
Apprenticeship levy	612	637
	151,205	158,461

There are no employees or staff costs in the parent company.

9 Directors' remuneration

All directors were remunerated by other group companies for their services to the Group as a whole.

10 Taxation

	2020	2019
	£000	£000
a) Analysis of charge:		
Current tax		
Corporation tax charged	2,552	4,030
Payments made for group relief	1,947	1,160
Adjustments in respect of previous periods	191	57
	4,690	5,247
Deferred tax		
Origination and reversal of timing differences	(62)	(58)
Prior year adjustment	139	121
	4,767	5,310

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 (19%). The differences are explained below:

Profit on ordinary activities before tax	20,398	53,160
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 19.00% (2019: 19.00%)	3,876	10,100
Expenses not deductible for tax purposes	113	235
Profit on sale of subsidiary	-	(5,653)
Share of joint ventures	-	3
Goodwill amortisation	448	447
Prior year adjustment	330	178
Tax on profit on ordinary activities	4,767	5,310

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.

11 Ordinary dividends

	2020	2019	2020	2019
	Pence per share	Pence per share	£000	£000
Ordinary dividends	139.6	166.7	16,750	20,000

12 Intangible assets

	Goodwill	Computer software	Total
	£000	£000	£000
Group			
Cost			
1 January 2020	28,268	1,387	29,655
Additions	-	407	407
31 December 2020	28,268	1,794	30,062
Amortisation			
1 January 2020	7,010	822	7,832
Amortisation in the year	2,361	560	2,921
31 December 2020	9,371	1,382	10,753
Net book value			
31 December 2020	18,897	412	19,309
31 December 2019	21,258	565	21,823

13 Tangible assets

	Leasehold improvements	Computer equipment	Plant and equipment	Furniture and fittings	Total
	£000	£000	£000	£000	£000
Group					
Cost					
1 January 2020	6,567	2,952	811	2,330	12,660
Additions	746	894	22	496	2,158
Transfers to group companies	(1)	(6)	-	-	(7)
Disposals	(248)	(111)	(52)	(314)	(725)
31 December 2020	7,064	3,729	781	2,512	14,086
Depreciation					
1 January 2020	3,455	1,768	534	787	6,544
Depreciation in the year	825	724	135	234	1,918
Transfers to group companies	-	(4)	-	(3)	(7)
Eliminated on disposals	(245)	(109)	(51)	(212)	(617)
31 December 2020	4,035	2,379	618	806	7,838
Net book value					
31 December 2020	3,029	1,350	163	1,706	6,248
31 December 2019	3,112	1,184	277	1,543	6,116

13 Tangible assets (continued)

	Computer equipment	Total
	£000	£000
Parent Company		
Cost		
1 January 2020	44	44
Transfers from group companies	8	8
31 December 2020	52	52
Depreciation		
1 January 2020	16	16
Depreciation in the year	9	9
Transfers from group Companies	2	2
31 December 2020	27	27
Net book value		
31 December 2020	25	25
31 December 2019	28	28

14 Investments

	Subsidiaries
Parent Company	£000
Shares at cost	
1 January 2020 and 31 December 2020	51,067

The list of subsidiaries is set out in note 25.

15 Debtors

	Group		Parent Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	47,156	35,115	277	208
Amounts recoverable on contracts	27,988	28,028	-	-
Retention held under construction contracts	15,633	15,807	-	-
Amounts due from group companies	165,422	165,945	1,014	2,074
Prepayments	2,816	1,704	724	682
	259,015	246,599	2,015	2,964
Amounts falling due after more than one year:				
Retention held under construction contracts	23,828	22,713	-	-
Deferred tax asset (see note 18)	393	473	-	-
	283,236	269,785	2,015	2,964

Amounts due from group companies falling due within one year are unsecured, have no fixed date of repayment and are repayable on demand.

16 Creditors: amounts falling due within one year

	Group		Parent Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade creditors	28,464	27,507	-	-
Trade creditors under supply chain finance	11,643	29,925	-	-
Retention held under construction contracts	17,245	17,596	-	-
Payments on account	59,263	50,807	-	-
Amounts due to group companies	-	-	36,608	35,858
Accruals	152,246	137,340	2,040	2,992
	268,861	263,175	38,648	38,850

17 Creditors: amounts falling due after one year

	Group	
	2020	2019
	£000	£000
Retention held under construction contracts	15,299	15,404

18 Deferred tax

	Group
	£000
1 January 2020	470
Current year movement	62
Prior period adjustment	(139)
31 December 2020	393
The deferred tax asset comprises:	
Decelerated capital allowances	393
	393

Deferred tax assets are held in the legal entity to which they relate.

19 Provisions for liabilities

	2020	2019
	£000	£000
1 January	471	-
Utilisation of provision	(202)	-
Amounts provided in the year	10,023	6,227
Amounts transferred on sale of subsidiary	-	(5,756)
31 December	10,292	471

Provisions are made for the estimated cashflows associated with potential obligations under completed contracts related works following recent changes in the building regulations environment and are presented net of costs recoverable from insurers.

In making the provision, Directors have established a contractual or constructive obligation at the balance sheet date and compiled an estimate of costs to complete the works. Directors have also considered the recoverability of costs from professional indemnity insurers; where certain works have received confirmation of policy coverage and set a precedent for those remaining. Where negotiations are in an advanced stage, provisions are stated net of estimated recoveries and make allowance for the cost of insurance policy excess and for estimated non-recoverable costs.

Whilst the provision recorded in the period can be reliably estimated, until all costs and recoveries are finalised and agreed over the coming months, the Directors consider the net cash outflow forecast to range from £3,282,000 to £13,640,000 and that the provision of £10,292,000 is appropriate.

The provision is expected to be utilised over one to two years. The effect of discounting to account for the time value of money is not material.

20 Called up share capital

	2020	2019
Group and Parent Company	£000	£000
Ordinary shares of £1 each		
Allotted, called up and fully paid	12,000	12,000

21 Reserves

The called up share capital comprises 12,000,000 allotted, called up and fully paid ordinary shares of £1 each. Amounts receivable for share capital in excess of the nominal value of the shares are credited to the share premium account.

22 Group leasing commitments

	2020	2019
At the balance sheet date outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:	£000	£000
Within one year	2,900	3,638
Within two to five years	7,179	7,830
Over five years	3,002	4,615
	13,081	16,083

23 Group guarantees

The Company has, with other fellow group companies, entered into a cross-guarantee in favour of Lloyds Bank plc and HSBC Bank plc to guarantee any Group indebtedness to the banks and it has granted a fixed and floating charge on its assets and operations to Lloyds Bank plc (acting as a security agent) to secure such liabilities. The guarantee included amounts drawn under a £25,000,000 revolving credit facility which was due to expire on 28 June 2021, to another fellow group undertaking. There were no amounts drawn at 31 December 2020.

On 31 March 2021 the existing facility was replaced with a new £33,333,333 revolving credit facility with Lloyds Bank plc and HSBC Bank plc due for repayment on 31 March 2024 with an accordion arrangement for the facility to increase to up to £50,000,000. The new facility continues to be guaranteed by the Company and fellow group companies.

The Company is a party to a multi-party indemnity given to various sureties that have issued performance bonds in favour of customers 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 and development contracts entered into by subsidiary companies in the normal course of business. The guarantees provided include the payment of purchase considerations, delivery obligations and overage to vendors and cost shortfall, limited loan guarantees and interest guarantees to financial institutions concerning the acquisition of land and developments.

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 subsidiaries and joint ventures is set out in note 25.

The Group's related party transactions are summarised below:

	2020	2019
	£000	£000
Joint Ventures		
Purchases from joint ventures	-	43
Sales to joint ventures	1,227	375
	2020	2019
	£000	£000
Other Related Parties		
Sales to other related parties	389	6,117
Amounts due from joint ventures	671	707

All amounts due are secured on the developments to which they relate and will be settled in cash.

The Company is owned by Willmott Dixon Holdings Limited.

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

25 Subsidiaries

Related undertakings of the Group are shown below.

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

All undertakings are directly held.

Name	Main Activity	Company Number	% Holding
Principal trading subsidiaries			
Willmott Dixon Construction Limited	General design and build	00768173	100%
Willmott Dixon Interiors Limited	Interiors and refurbishment	04118020	100%
Other trading and dormant subsidiaries			
Mi:Project Solutions Limited	Dormant	11059818	100%
Collida Limited	Provision of integrated construction platform	04203383	100%

The Company and its subsidiaries are registered in England, the registered office being Suite 201, The Spirella Building, Bridge Road, Letchworth Garden City, Hertfordshire SG6 4ET. All companies above are private companies limited by shares.