

**TAYLOR WOODROW CONSTRUCTION LIMITED**

**Report and Financial Statements**

**31 December 2004**



# **TAYLOR WOODROW CONSTRUCTION LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

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# **TAYLOR WOODROW CONSTRUCTION LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### **REVIEW OF BUSINESS AND FUTURE PROSPECTS**

The principal activity of Taylor Woodrow Construction Limited and its subsidiaries ("the Group") continues to be construction and facilities management in the UK and overseas.

Our objective is to be recognised as a leading provider of business solutions, delivering a range of innovative, high quality services related to creating, enhancing and maintaining capital assets. The services provided to our customers include engineering and technology consultancy, capital project delivery, facilities management, corporate asset management, project financing and Private Finance Initiative (PFI) and programme management.

Our business philosophy is designed around the provision of a quality service to our customers that will meet their business objectives. The philosophy played a significant part in the company and several employees being recognised in the industry by winning a number of prestigious awards in 2004.

Safety is of the highest priority for the company. During the year we undertook a number of initiatives to improve the safety of our operations including being a leader in the Industry's "Working Well Together" campaign. Our commitment to excellence in safety has been endorsed by our nomination as a demonstrator organisation under the DOE sponsored Movement for Innovation.

Our competitive advantage is enhanced by using our selected supply chain early in the project life cycle to capture best practice and innovation in all areas of the solution for our customers.

We continue to use the Business Excellence Model to measure our performance in all our key activities and are continually striving to improve our service.

We enter 2005 with a healthy order book of £815m, an increase of 4% from the start of 2004. In addition we have been appointed as preferred bidder on the £375m St Helens PFI Hospital scheme due to reach financial close in 2005.

### **UK Construction**

We continue to grow our operations in the external market, developing strong relationships with a number of blue chip customers including Shell, BAA, Tesco, Marks and Spencer, Crosby Homes, Crest Nicholson, Tube Lines, Siemens, London Underground and NHS Estates. Repeat order business represents 70% of our order book.

The company has a key role to play within the Taylor Woodrow Group. We continue to work very closely with Taylor Woodrow Developments to deliver mixed – use and complex residential schemes throughout the UK.

During the year several Taylor Woodrow Group projects were completed including residential developments at Lovell Park in Leeds, The Green Building in Manchester, Hospital Fields in York and Sovereign Harbour in Eastbourne.

In addition, several new contracts commenced in 2004 with Taylor Woodrow Developments, notably Victoria Wharf in Cardiff, Palatine Road in Manchester and the next phase of The Strada in Edinburgh. Construction of K2, the prestigious Richard Rogers designed office development adjacent to Tower Bridge, London has also progressed in 2004 and is due for completion in 2005.

Our strong relationship with Tesco continues with a number of store completions and new store starts in the year. Of particular interest was the completion of more ground breaking 'stores on stilts' for Tesco at Burnley and Long Eaton.

Work has progressed very well on the Kings Cross development scheme for Metronet and also the construction of the new National Assembly for Wales in Cardiff. In August 2004, the first phase was completed of the new stand at The Oval cricket ground for Surrey County Cricket Club. Work continues to full completion in 2005.

Amongst a number of new projects started in 2005 is the redevelopment of Wembley Park Station for Tube Lines in time for the opening of the new Wembley Stadium. In addition, projects for Cala Homes, Siemens plc and the extension of the Royal Festival Hall in London also commenced in 2005.

# **TAYLOR WOODROW CONSTRUCTION LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **REVIEW OF BUSINESS AND FUTURE PROSPECTS (CONTINUED)**

In 2004 we completed the full construction of the new Bromley Hospital, opened by HRH The Princess Royal and built under the Government's PFI Scheme. We now have a number of PFI schemes in the operating stage of the concession period where we are providing a facilities management service under long term contracts.

In 2004 we were successfully named as preferred bidder on the St Helens PFI Hospital project with financial close and construction commencement in 2005.

We continue to pursue PFI opportunities in the large new hospital sector and have also commenced bidding activity for the Government's 'Building Schools for the Future' programme.

In the Health Sector the company is a principal supply chain partner for the NHS Estates Procure 21 programme as a framework partner to carry out significant improvements to the NHS Estates over the next five years.

#### **Facilities Management ("FM")**

Our FM business continues to expand, achieving 32% turnover growth in 2004 and we enter 2005 with a FM order book of £372m representing 40% of the total business order book.

During 2004 our FM division continued to focus its business on working with multi-location blue chip customers. The business has a number of significant long term commissions for blue chip customers including Shell, Marks & Spencer, RAC plc, LA Fitness, ICI Dulux, Syngenta and Symbol Technologies.

In the year we were awarded the total facilities management contract for O<sub>2</sub> covering the whole of their property portfolio throughout the UK.

Our FM commission for Chevron Texaco has progressed well in 2004, with the full mobilisation of petrol forecourt management across the UK, Ireland and the Benelux countries.

Expansion across Europe is an important part of our FM growth strategy and a number of important opportunities in this regard are being pursued.

#### **International Contracting**

We had a strong performance in Ghana in 2004, building on our 50 year history and relationships in the territory. Contracts in the territory include a number of projects for the Department of Urban Roads, a large mining contract for Ghanaian Australian Goldfields at Iduapriem and continued building works for the Church of Jesus Christ and the Latter Day Saints.

Our activities in Ghana also extend to developing a number of small and exclusive residential developments. In 2004 we completed our third successful development and commenced construction on two new schemes.

#### **Engineering & Technology**

Our Engineering & Technology Division's activities continue to deliver expertise to our customers as well as demonstrating our long term commitment to research and development in the construction sector, where Taylor Woodrow Construction is a market leader.

Widespread support is being provided to all the Taylor Woodrow Group's residential and commercial development businesses as well as to the construction company. Key areas of activity are sustainability, environmental impact, advice on materials and methods and knowledge management.

The Nuclear Sector continues to be a good source of external consultancy activity with work being undertaken for BNFL Magnox Electric, British Energy and UKAEA.

Our technology centre at Leighton Buzzard is the focal point of excellence for all our engineering and research & development activities. The facilities include the largest cladding test facility in the UK.

# TAYLOR WOODROW CONSTRUCTION LIMITED

## DIRECTORS' REPORT (CONTINUED)

### RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the profit and loss account on page 7 with profit after tax in the year of £17,588,000 (2003: £14,952,000). During the year the directors paid an interim dividend of £8,000,000 (2003:nil). The directors recommend that no final dividend is paid in respect of the year ended 31 December 2004 (2003:£6,000,000).

### DIRECTORS AND THEIR INTERESTS

Messrs A. Wyllie, A.O. Bickerstaff, T. Peach, C.A. Rowell, G. Slack and D.E. Weston were directors for the whole of the financial year. Mr D.J.A. MacDaid was appointed as a non-executive director on 1 November 2004.

No directors held any interest in the company's shares.

The directors' interests in shares of the ultimate parent company, Taylor Woodrow plc, at 31 December 2004 were as follows:

Taylor Woodrow plc			
Ordinary shares of 25p each			
	2004		
	or date of		
	<u>appointment</u>		<u>2003</u>
A. Wyllie	14,241	*	9,136
A.O. Bickerstaff	19,509	**	16,219
D.J.A. MacDaid	101,914		101,914
T. Peach	1,082	***	-
C.A. Rowell	759		4,191
G. Slack	2,333		-
D.E. Weston	2,917	**	-

\* Includes 104 shares held by Halifax Corporate Trustee Ltd under the Taylor Woodrow Share Purchase Plan.

\*\* Includes 1,250 shares held by Halifax Corporate Trustee Ltd under the Taylor Woodrow Share Purchase Plan.

\*\*\* Includes 82 shares held by Halifax Corporate Trustee Ltd under the Taylor Woodrow Share Purchase Plan.

In addition, the directors held options to acquire the following shares:

Taylor Woodrow plc				
Ordinary shares of 25p each				
	At 1			
	January 2004	Granted	Exercised	At 31
	<u>or date of appointment</u>	<u>during 2004</u>	<u>during 2004</u>	<u>December 2004</u>
A. Wyllie	354,439	53,824	1,943	406,320
A.O. Bickerstaff	131,135	34,138	6,696	158,577
D.J.A. MacDaid	794,659	-	7,601	787,058
T. Peach	125,713	24,918	2,533	148,098
C.A. Rowell	77,555	17,502	8,753	86,304
G. Slack	120,486	26,465	2,775	144,176
D.E. Weston	118,431	22,511	-	140,942

# **TAYLOR WOODROW CONSTRUCTION LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS' INTERESTS IN CONTRACTS**

No director has an interest in any contract or arrangement of a material nature with the company, its subsidiaries, its fellow subsidiaries or its ultimate parent company during the year under review.

### **CHARITABLE DONATIONS**

During the year Group companies donated £1,810 (2003: £6,850) to various charities in the UK.

### **RESEARCH AND DEVELOPMENT**

The Group has an active programme of research and development in the fields of construction and facilities management.

### **DISABLED PERSONS**

The company's policy is to give fair consideration to the employment of disabled persons having regard for their particular aptitude and ability. If an existing employee becomes disabled, every effort is made to ensure continuity of employment and that appropriate training is given.

### **EMPLOYEE INVOLVEMENT**

The company maintains a long-established practice of providing employees with information concerning the activities of the Taylor Woodrow Group of companies through the medium of formal employee consultation and by regularly publishing information and other material on matters affecting the performance of the company. During the year opportunities have been given for employees to participate in certain share option schemes operated by Taylor Woodrow plc.

### **EQUAL OPPORTUNITIES**

The company is an equal opportunities employer and is therefore committed to the training and personal development of its employees, regardless of age, ethnic background, gender or disability. The progression of all employees within the Group is determined solely on the basis of personal merit, effective performance and business requirements.

### **POLICY ON PAYMENT OF SUPPLIERS**

It is Group policy in respect of suppliers for Group subsidiaries to settle the terms of payment when agreeing the basis of each transaction or series of linked transactions, to make suppliers aware of the terms of payment and in the absence of dispute and upon receipt of a valid request, for payments to be made as expeditiously as possible within such terms.

Trade creditor days for the company for the year ended 31 December 2004 were 53 days (2003 – 54 days), based on the ratio of trade creditors (excluding sub contract retentions and claims of £13,109,629, (2003: £11,094,985)) at the end of the year to the amounts invoiced during the year by trade creditors.

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



M.A. Lonnon  
Secretary  
11 April 2005

## **TAYLOR WOODROW CONSTRUCTION LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which *give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.* In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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.

# **TAYLOR WOODROW CONSTRUCTION LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WOODROW CONSTRUCTION LIMITED**

We have audited the financial statements of Taylor Woodrow Construction Limited for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated statement of historical cost profits and losses, the balance sheets and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

11 April 2005



# TAYLOR WOODROW CONSTRUCTION LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	£000	2004 £000	£000	2003 £000
<b>TURNOVER:</b>					
Group and share of joint ventures					
– continuing operations			545,222		500,480
– discontinued operations			13		-
Less: share of joint ventures			(1,834)		(8,137)
			<hr/>		<hr/>
<b>Group turnover</b>	1,2		543,401		492,343
Cost of sales	2		(510,566)		(461,375)
			<hr/>		<hr/>
<b>Gross profit</b>	2		32,835		30,968
Administrative expenses	2		(27,381)		(25,357)
			<hr/>		<hr/>
<b>OPERATING PROFIT</b>					
Continuing operations		5,420		2,483	
Discontinued operations		34		3,128	
		<hr/>		<hr/>	
<b>Group operating profit</b>	2,3		5,454		5,611
Share of operating profit in joint ventures			-		382
			<hr/>		<hr/>
			5,454		5,993
Income from other fixed asset investments			127		363
Profit on disposal of joint ventures and trade investments			8,135		8,193
Profit on disposal of investments and fixed assets			269		471
			<hr/>		<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>					
Interest receivable			13,985		15,020
Interest payable - Group		(985)	7,497	(957)	5,274
- Joint Ventures		-		(973)	
	4	<hr/>	(985)	<hr/>	(1,930)
			<hr/>		<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>					
Tax on profit on ordinary activities	1,2 6		20,497 (2,909)		18,364 (3,412)
			<hr/>		<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	22		17,588		14,952
Equity dividends proposed			-		(6,000)
paid			(8,000)		-
			<hr/>		<hr/>
<b>PROFIT RETAINED</b>	21		9,588		8,952
			<hr/>		<hr/>

**TAYLOR WOODROW CONSTRUCTION LIMITED****CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
Profit for the financial year	17,588	14,952
Unrealised surplus on revaluation of properties	-	205
Currency translation differences on foreign currency net investments	(27)	(97)
Total recognised gains and losses relating to the year	<u>17,561</u>	<u>15,060</u>

**CONSOLIDATED STATEMENT OF HISTORICAL COST PROFITS AND  
LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
Reported profit and historical cost profit on ordinary activities before taxation	<u>20,497</u>	<u>18,364</u>
Historical cost profit for the year retained after taxation, minority interests and dividends	<u>9,588</u>	<u>8,952</u>

**TAYLOR WOODROW CONSTRUCTION LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	£000	2004 £000	£000	2003 £000
<b>FIXED ASSETS</b>					
Tangible assets	7		19,817		20,110
Investments					
Joint ventures					
Share of gross assets	11	18,053		14,711	
Share of gross liabilities	11	(18,053)		(14,711)	
Other fixed asset investments	12		3,422		3,305
			<u>23,239</u>		<u>23,415</u>
<b>CURRENT ASSETS</b>					
Stocks	13		3,217		4,201
Debtors	14		224,507		225,506
Cash at bank and in hand			19,057		15,303
			<u>246,781</u>		<u>245,010</u>
<b>CREDITORS: amounts falling due within one year</b>	16		(146,995)		(154,829)
<b>NET CURRENT ASSETS</b>			<u>99,786</u>		<u>90,181</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			123,025		113,596
<b>CREDITORS: amounts falling due after more than one year</b>	17		(338)		(470)
<b>NET ASSETS</b>			<u><u>122,687</u></u>		<u><u>113,126</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		64,000		64,000
Revaluation reserve	20		110		119
Profit and loss account	21		58,577		49,007
<b>EQUITY SHAREHOLDERS' FUNDS</b>	22		<u><u>122,687</u></u>		<u><u>113,126</u></u>


These financial statements were approved by the Board of Directors on 11 April 2005

Signed on behalf of the Board of Directors



A. Wyllie

Director



A.O. Bickerstaff

Director

# TAYLOR WOODROW CONSTRUCTION LIMITED

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £000	2003 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	9,545	9,610
Investments			
Group undertakings	9	10,120	34,167
Joint ventures	11	-	-
Other fixed asset investments	12	3,422	3,305
		<u>23,087</u>	<u>47,082</u>
<b>CURRENT ASSETS</b>			
Stocks	13	338	471
Debtors	14	224,429	222,957
Cash at bank and in hand		18,691	14,012
		<u>243,458</u>	<u>237,440</u>
<b>CREDITORS: amounts falling due within one year</b>	16	(133,157)	(137,599)
<b>NET CURRENT ASSETS</b>		<u>110,301</u>	<u>99,841</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		133,388	146,923
<b>CREDITORS: amounts falling due after more than one year</b>	17	(9,858)	(32,858)
<b>NET ASSETS</b>		<u>123,530</u>	<u>114,065</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	64,000	64,000
Revaluation reserve	20	643	504
Profit and loss account	21	58,887	49,561
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>123,530</u>	<u>114,065</u>

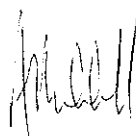
These financial statements were approved by the Board of Directors on 11 April 2005

Signed on behalf of the Board of Directors



A. Wyllie

Director



A.O. Bickerstaff

Director

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING DEFINITIONS AND POLICIES

The following accounting definitions and policies have been applied consistently in the current and prior year.

#### **Basis of the accounts**

The accounts are prepared in accordance with applicable United Kingdom law and accounting standards under the historical cost convention modified by the revaluation of certain properties.

#### **Basis of consolidation**

The accounts consolidate the accounts of the company and its subsidiary undertakings and include the Group's share of the results and post-acquisition reserves of its joint ventures. Goodwill on acquisition of subsidiary undertakings before 1998 has been written off against retained profit in prior years.

#### **Turnover**

Turnover comprises the value of contracting work executed during the year and the invoiced value of other sales.

#### **Profit on ordinary activities for the year**

The profit for the year includes the result of the year's operations together with residual profits in respect of work done in prior years. Profit on contracts is stated after provision for known losses and contingencies. No credit is taken for claims until the cash is received.

Realised profits or losses on the disposal of tangible assets are included in ordinary profit; such profits are calculated by reference to the carrying value of the asset.

Research and development costs are written off as incurred.

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost includes all direct costs and production overheads where appropriate.

#### **Fixed assets**

Fixed asset properties, other than short leasehold properties, are valued every three years. Fixed asset short leasehold properties are included at cost. Short leasehold properties are defined as those properties with an unexpired lease term of less than 50 years.

Surpluses on valuations of freehold and long leasehold fixed asset properties are credited to revaluation reserve, and any deficits below original cost are written off to profit and loss account. Depreciation is provided, where material, on fixed asset freehold and long leasehold properties on the cost or valuation less estimated residual value so as to write them off over their useful economic lives. Fixed asset short leasehold properties are depreciated over the remaining lives of the leases.

Depreciation on plant is calculated on a straight line basis to write off the cost over the estimated useful lives which range from 1 to 7 years. Provision is made for any impairment.

#### **Investments**

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

#### **Joint ventures**

A joint venture is defined as an undertaking other than a subsidiary or associated undertaking in which the Group has a significant influence, and which is jointly controlled by the joint venturers.

The Group's share of the post-acquisition results of joint ventures is shown in the consolidated profit and loss account.

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING DEFINITIONS AND POLICIES (CONTINUED)

#### **Investments (continued)**

Investments in joint ventures are included in the consolidated balance sheet at cost plus the appropriate share of post acquisition results and reserves as disclosed in the latest balance sheets, and in the parent company's balance sheet at cost less the Group's share of any post-acquisition losses and provisions for any further permanent diminution in value.

#### **Group undertakings**

Investments in group undertakings are included in the parent company's balance sheet at cost less the Group's share of any post-acquisition losses and provision for any further impairment in value.

#### **Current asset investments**

Current asset investments are stated at the lower of cost and net realisable value.

#### **Overseas currencies**

Exchange differences arising in the ordinary course of trading are reflected in the profit and loss account.

Profit and loss accounts of overseas subsidiaries, joint ventures and overseas branches are translated into sterling at average rates. Assets and liabilities are translated at exchange rates ruling at the balance sheet date.

Unrealised exchange differences on share capital, revaluation reserve, pre-acquisition retained profit and loss account and inter-company long term loans are taken to revaluation reserve without provision for taxation.

Exchange differences on post-acquisition profits in overseas currencies are taken to the retained profit and loss account.

#### **Pensions**

The United Kingdom companies are members of the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF), which is operated through separate trustee administered funds; it includes the Bryant Group Pension Scheme (BGPS) which was merged with it on 24 June 2002. This scheme is of the defined benefit type and the company charges to profit and loss its proportion of the Group costs which are assessed in accordance with the advice of a professionally qualified actuary. The company is unable to identify its share of the underlying assets and liabilities of the scheme.

The last actuarial assessment of the TWGP&LAF, as at 1 June 2002, disclosed that the market value of the scheme's assets at that date was £460,100,000 and that the value of the assets was sufficient to cover 93% of the benefits that had accrued to members after allowing for expected future increases in earnings. The last actuarial assessment of the BGPS, as at 1 April 2001, disclosed that the market value of the scheme's assets at that date was £82,700,000 and that the value of the assets was sufficient to cover 93% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Further particulars of the schemes are contained in the accounts of Taylor Woodrow plc. These disclose that, on the basis prescribed by FRS17, which does not have any impact on the basis of funding, the deficit of the UK scheme at 31 December 2004 was £140,500,000.

For overseas companies, any contributions are charged to profit and loss so that the expected costs of providing pensions are recognised during the period of team members' service.

#### **Operating Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis.

#### **Post retirement benefits other than pensions**

The Group's future contribution to the cost of health insurance for retired long service UK employees has been accrued in the accounts of Taylor Woodrow Developments Limited, who now pay the premiums in respect of this insurance on behalf of the Group. The balance of the accrual, charged to the profit and loss account of Group companies in prior years, was transferred to Taylor Woodrow Developments Limited from Taylor Woodrow plc on 31 October 2002. Details of UK post-retirement health insurance is contained in the accounts of Taylor Woodrow Developments Limited and Taylor Woodrow plc.

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING DEFINITIONS AND POLICIES (CONTINUED)

#### Taxation

Current tax, including United Kingdom corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The potential liability to taxation on the surpluses on valuations of properties is not provided for in these accounts.

### 2. SEGMENTAL ANALYSIS

	2004 £000	2003 £000
<b>TURNOVER</b>		
<b>By Activity</b>		
Construction	543,401	492,343
<b>By Market</b>		
Australasia	3	1
Asia Pacific	590	1,761
Africa	37,088	38,361
Europe and Rest of the World	9,648	6,990
Total overseas	47,329	47,113
United Kingdom	496,072	445,230
	543,401	492,343
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
<b>By Activity</b>		
Construction	20,497	18,364

### ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2004 Continuing £000	2004 Dis-continued £000	2004 Total £000	2003 Continuing £000	2003 Dis-continued £000	2003 Total £000
Turnover	543,388	13	543,401	492,343	-	492,343
Cost of sales	(510,660)	94	(510,566)	(464,790)	3,415	(461,375)
Gross profit	32,728	107	32,835	27,553	3,415	30,968
Administrative Expenses	(27,308)	(73)	(27,381)	(25,070)	(287)	(25,357)
Operating profit	5,420	34	5,454	2,483	3,128	5,611

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004	2003
	£000	£000
<b>Group operating profit is after charging:</b>		
Depreciation of plant	3,486	2,560
Depreciation of short leasehold properties	107	82
Research and development	68	205
Plant hire	9,178	12,710
Rentals under operating leases:		
- Hire of plant and machinery	2,252	2,194
- Other operating leases	786	737
Auditors' remuneration for audit services – Group	120	132
Auditors' remuneration for audit services – Company	95	106
Auditors' remuneration for non-audit services - Company		
- Overseas tax services	1	16
- Overseas corporate advice	24	-
- Other	1	-
Loss on disposal of plant	-	24

### 4. INTEREST PAYABLE

	2004	2003
	£000	£000
Bank loans and overdrafts	985	1,930
	985	1,930

The Group's share of joint venture net interest payable is £nil (2003 - £973,000).



# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The costs of directors, employed by another Group company, have been charged in respect of services rendered in their capacity as directors of the company as follows:

	2004 £000	2003 £000
<b>Directors' emoluments</b>		
Aggregate emoluments	1,299	1,108
Highest paid director	397	269
Accrued pension of the highest paid director at the year end	76	67
	No	No
Number of directors who exercised share options in the year	6	4
The highest paid director exercised share options during the year, and the preceding year.		
Number of directors who accrued retirement benefits under a defined benefit pension scheme	6	7

The following average numbers of employees, employed by another Group company, have rendered services to the company:

<b>Average number of persons employed (including directors)</b>		
United Kingdom	1,592	1,632
Overseas	1,882	1,611
	3,474	3,243

The costs of employees, employed by another Group company, charged to the company are as follows:

	£000	£000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	62,413	60,712
Social security costs	6,223	5,447
Pension costs	7,302	6,038
	75,938	72,197

All employees charged to the Group are involved in the one principal activity of the Group, being construction and facilities management.

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
<b>Current Taxation</b>		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2003 - 30%)	2,642	4,726
Relief for overseas tax	(1,267)	(3,536)
(Over)/under provision in respect of prior years	(959)	112
Overseas tax suffered:		
Overseas tax charge for the year	1,965	1,782
Under provision in respect of prior years	8	85
<b>Total current taxation</b>	<b>2,389</b>	<b>3,169</b>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	843	56
(Over)/under provision in respect of prior years	(323)	187
<b>Tax on profit on ordinary activities.</b>	<b>2,909</b>	<b>3,412</b>
The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2003- 30%). The actual tax charge of the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:	<b>2004 £000</b>	<b>2003 £000</b>
Profit on ordinary activities before tax	20,497	18,364
Tax on profit on ordinary activities before tax at standard rate	6,149	5,509
<b>Factors affecting charge for the year:</b>		
(Over)/under provision in respect of prior years	(951)	85
Permanent disallowables	274	719
Non taxable income	(204)	(2,414)
Overseas income receivable	1,267	3,224
Double tax relief for overseas tax	(1,267)	(3,536)
Higher rates of tax on overseas earnings	222	175
Overseas withholding tax suffered	477	799
Utilisation of brought forward capital losses	(2,464)	(708)
Depreciation for the period in excess of capital allowances	15	(648)
Short term timing differences	(1,130)	558
Tax trading losses brought forward	1	(594)
<b>Current tax charge for the year</b>	<b>2,389</b>	<b>3,169</b>

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 7. TANGIBLE FIXED ASSETS

	Freehold £000	Properties Long Leasehold £000	Short Leasehold £000	Plant £000	Total £000
<b>GROUP</b>					
<b>Cost or valuation</b>					
At 1 January 2004	7,455	10	3,036	42,930	53,431
Changes in exchange rates	-	-	-	(7)	(7)
Additions	-	-	251	3,347	3,598
Disposals	-	-	(268)	(4,146)	(4,414)
At 31 December 2004	<u>7,455</u>	<u>10</u>	<u>3,019</u>	<u>42,124</u>	<u>52,608</u>
<b>Representing</b>					
Properties valued -cost	9,385	8	-	-	9,393
-net (deficit)/surplus	<u>(1,930)</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>(1,928)</u>
Valuation	7,455	10	-	-	7,465
Others not valued-cost	-	-	3,019	42,124	45,143
	<u>7,455</u>	<u>10</u>	<u>3,019</u>	<u>42,124</u>	<u>52,608</u>
<b>Depreciation</b>					
At 1 January 2004	-	-	619	32,702	33,321
Changes in exchange rates	-	-	-	(7)	(7)
Disposals	-	-	-	(4,116)	(4,116)
Charge for year	-	-	107	3,486	3,593
At 31 December 2004	<u>-</u>	<u>-</u>	<u>726</u>	<u>32,065</u>	<u>32,791</u>
<b>Net values</b>					
31 December 2004	<u>7,455</u>	<u>10</u>	<u>2,293</u>	<u>10,059</u>	<u>19,817</u>
31 December 2003	<u>7,455</u>	<u>10</u>	<u>2,417</u>	<u>10,228</u>	<u>20,110</u>

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 7. TANGIBLE FIXED ASSETS - CONTINUED

	Freehold £000	Properties Long Leasehold £000	Plant £000	Total £000
<b>COMPANY</b>				
<b>Cost or valuation</b>				
At 1 January 2004	7,455	10	9,066	16,531
Additions	-	-	967	967
Disposals	-	-	(4,033)	(4,033)
At 31 December 2004	<u>7,455</u>	<u>10</u>	<u>6,000</u>	<u>13,465</u>
<b>Representing</b>				
Properties valued -cost	9,385	8	-	9,393
-net (deficit)/surplus	(1,930)	2	-	(1,928)
Valuation	7,455	10	-	7,465
Others not valued-cost	-	-	6,000	6,000
	<u>7,455</u>	<u>10</u>	<u>6,000</u>	<u>13,465</u>
<b>Depreciation</b>				
At 1 January 2004	-	-	6,921	6,921
Disposals	-	-	(4,033)	(4,033)
Charge for year	-	-	1,032	1,032
At 31 December 2004	<u>-</u>	<u>-</u>	<u>3,920</u>	<u>3,920</u>
<b>Net values</b>				
31 December 2004	<u>7,455</u>	<u>10</u>	<u>2,080</u>	<u>9,545</u>
31 December 2003	<u>7,455</u>	<u>10</u>	<u>2,145</u>	<u>9,610</u>

### 8. VALUATION OF PROPERTIES

The fixed asset properties of the company were valued at £7,465,000 as at 31 December 2003 by Knight Frank LLP, external Chartered Surveyors, on an existing use value basis in accordance with the Appraisal and Valuation Standards (5<sup>th</sup> Edition) of the Royal Institution of Chartered Surveyors.

The directors have reviewed the carrying value of the assets at the current year end and have not identified any material changes to circumstances or to any valuation assumptions which would materially affect the values.

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 9. INVESTMENTS IN GROUP UNDERTAKINGS

<b>COMPANY</b>	<b>Shares unlisted £000</b>
<b>Cost</b>	
At 1 January 2004	47,106
Disposals	(23,987)
	<hr/>
At 31 December 2004	23,119
	<hr/>
<b>Amounts provided</b>	
At 1 January 2004	12,939
Provided in the year	60
	<hr/>
At 31 December 2004	12,999
	<hr/>
<b>Net values</b>	
At 31 December 2004	10,120
	<hr/>
At 31 December 2003	34,167
	<hr/>

### 10. PARTICULARS OF PRINCIPAL SUBSIDIARIES

<b>Principal subsidiaries</b>	<b>Country of incorporation and principal operations</b>	<b>Proportion of ordinary shares held %</b>
Taysec Construction Limited	Ghana	100

The principal activity of all subsidiaries is construction.

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 11. INVESTMENTS IN JOINT VENTURES

	Group Shares unlisted £000	Company Shares unlisted £000
<b>Cost and share of reserves</b>		
At 1 January 2004	31	23,095
Disposals	-	(23,095)
At 31 December 2004	31	-
<b>Amounts provided</b>		
At 1 January 2004	31	23,095
Released in year	-	(23,095)
At 31 December 2004	31	-
<b>Net values</b>		
At 31 December 2004	-	-
At 31 December 2003	-	-

Following the liquidation of Kuala Lumpur Transit Group Assets Sdn Bhd the company's interests in the shares of STAR were written down.

The Group holds interests in the following principal joint ventures:

	Country of incorporation and principal operations	Percentage of ordinary share capital	Percentage of preference share capital	Nature of Business
Grand Union Vision Limited	Great Britain	50.00%	N/A	Housing
Kuala Lumpur Transit Group Assets Sdn Bhd**	Malaysia	50.00%	47.5%	Construction
Taylor Woodrow-Towell Co LLC*	Oman	50.00%	N/A	Construction

\* Interest held by a subsidiary undertaking.

\*\*Kuala Lumpur Transit Group Assets Sdn Bhd was liquidated on 15 July 2004

The undertakings listed above are accounted for as joint ventures on the basis that Taylor Woodrow Construction has joint management control.

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 11. INVESTMENTS IN JOINT VENTURES CONTINUED

#### Additional disclosures for joint ventures

	£000	2004 £000	£000	2003 £000
<b>Share of assets</b>				
Share of fixed assets	-		-	
Share of current assets	18,053		14,711	
		18,053		14,711
<b>Share of liabilities</b>				
Liabilities due within one year	(18,053)		(14,711)	
Liabilities due after more than one year	-		-	
		(18,053)		(14,711)
<b>Share of net assets</b>		-		-

### 12. OTHER FIXED ASSET INVESTMENTS

	Group			Company		
	Shares unlisted £000	Loans £000	Total £000	Shares unlisted £000	Loans £000	Total £000
<b>Cost</b>						
At 1 January 2004	43	3,997	4,040	43	3,997	4,040
Additions	300	1,928	2,228	300	1,928	2,228
Disposals	(19)	(2,160)	(2,179)	(19)	(2,160)	(2,179)
At 31 December 2004	324	3,765	4,089	324	3,765	4,089
<b>Amounts provided</b>						
At 1 January 2004	15	720	735	15	720	735
Released in year	(15)	(53)	(68)	(15)	(53)	(68)
At 31 December 2004	-	667	667	-	667	667
<b>Net values</b>						
At 31 December 2004	324	3,098	3,422	324	3,098	3,422
At 31 December 2003	28	3,277	3,305	28	3,277	3,305

Included in the above the following loans have been made:

United Healthcare (Bromley) Group Limited	£1,928,060 (2003 - £nil)
United Healthcare (South Buckinghamshire Group) Limited	£1,170,120 (2003 - £1,170,120)
United Healthcare (Farnborough Hospital) Limited	£nil (2003 - £2,005,317)

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 13. STOCKS

	2004	Group	2004	Company
	£000	2003	£000	2003
		£000		£000
Raw materials and consumables	642	810	-	-
Finished goods and goods for resale	88	221	88	221
Land, development costs and construction thereon	2,487	3,170	250	250
	<u>3,217</u>	<u>4,201</u>	<u>338</u>	<u>471</u>

### 14. DEBTORS

	2004	Group	2004	Company
	£000	2003	£000	2003
		£000		£000
<b>Receivable within one year</b>				
Trade debtors	52	19	52	-
Amounts recoverable on contracts	48,905	45,043	43,942	41,023
Amounts owed by group undertakings	153,378	147,865	160,030	153,360
Amounts owed by joint ventures	-	16,188	-	16,188
Taxation on profits	806	-	741	-
Deferred taxation (note 15)	3,785	4,305	4,504	5,227
Other debtors	16,354	11,138	14,042	6,419
Prepayments and accrued income	972	686	863	478
<b>Receivable after one year</b>				
Prepayments and accrued income	255	262	255	262
	<u>224,507</u>	<u>225,506</u>	<u>224,429</u>	<u>222,957</u>

### 15. DEFERRED TAXATION

	Group	Company
	£000	£000
Balance at 1 January 2004	4,305	5,227
Current year movement	(520)	(723)
Balance at 31 December 2004	<u>3,785</u>	<u>4,504</u>

The amount of deferred tax asset recognised in the financial statements comprises:

	2004	Group	2004	Company
	£000	2003	£000	2003
		£000		£000
Depreciation in excess of capital allowances	439	(186)	1,183	779
Short term timing differences	3,346	4,491	3,321	4,448
	<u>3,785</u>	<u>4,305</u>	<u>4,504</u>	<u>5,227</u>



# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	Group 2003	2004	Company 2003
	£000	£000	£000	£000
Bank loans and overdrafts (note 18)	3,513	2,042	-	-
Payments received on account	24,202	25,828	20,793	19,305
Trade creditors	83,566	75,829	83,508	75,551
Amounts owed to group undertakings	1,293	8,114	3,068	10,736
Amounts owed to joint ventures	951	991	413	591
Taxation on profits	-	621	-	937
Other taxation and social security	137	200	79	195
Other creditors	6,407	9,206	1,590	2,571
Accruals and deferred income	26,926	25,998	23,706	21,713
Dividend - proposed	-	6,000	-	6,000
	<u>146,995</u>	<u>154,829</u>	<u>133,157</u>	<u>137,599</u>

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2004	Group 2003	2004	Company 2003
	£000	£000	£000	£000
Bank loans and overdrafts (note 18)	289	421	-	-
Amounts owed to group undertakings	49	49	9,858	32,858
	<u>338</u>	<u>470</u>	<u>9,858</u>	<u>32,858</u>

### 18. BANK LOANS AND OVERDRAFTS

	Group 2004 £000	Group 2003 £000
Secured at rates from 11.25% to 25.49% (2003 – 29% to 31.5%)	<u>3,802</u>	<u>2,463</u>
Repayable:-		
Up to one year	3,513	2,042
Between two and five years	289	421
	<u>3,802</u>	<u>2,463</u>

The security for the secured bank loans and overdrafts is assets of Group undertakings.

### 19. CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
<b>Authorised:</b>		
100,000,000 (2003: 100,000,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Called up, allotted and fully paid:</b>		
64,000,000 (2003: 64,000,000) ordinary shares of £1 each	<u>64,000</u>	<u>64,000</u>

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 20. REVALUATION RESERVE

	Group £000	Company £000
At 1 January 2004	119	504
Exchange differences	(131)	-
Transfer of realised revaluation reserve	122	139
Net surplus on property valuations	-	-
	<u>110</u>	<u>643</u>
At 31 December 2004	<u>110</u>	<u>643</u>

### 21. PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
At 1 January 2004	49,007	49,561
Exchange differences	104	-
Transfer of realised revaluation reserve	(122)	(139)
Profit for the year retained	<u>9,588</u>	<u>9,465</u>
At 31 December 2004	<u>58,577</u>	<u>58,887</u>
<b>Comprising:</b>		
The Company	58,887	
Group undertakings	905	
Joint ventures	<u>(1,215)</u>	
	<u>58,577</u>	

As permitted by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account.

The retained profit of the company for the financial year was £9,465,000 (2003 - £16,605,000).

# TAYLOR WOODROW CONSTRUCTION LIMITED

## NOTES TO THE ACCOUNTS

### 22. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2004 £000	Group 2003 £000
Profit for the financial year	17,588	14,952
Dividends	(8,000)	(6,000)
	<u>9,588</u>	<u>8,952</u>
Other recognised gains and losses relating to the year (net)	(27)	108
Net increase in equity shareholders' funds	<u>9,561</u>	<u>9,060</u>
Opening equity shareholders' funds	113,126	104,066
Closing equity shareholders' funds	<u>122,687</u>	<u>113,126</u>

### 23. FINANCIAL COMMITMENTS

	Group		Company	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
<b>Non cancellable operating lease commitments</b>				
Leases which expire:				
Within one year	52	117	52	117
Within two to five years	97	2,279	97	2,279
After five years	640	-	640	-
	<u>789</u>	<u>2,396</u>	<u>789</u>	<u>2,396</u>

### 24. CONTINGENT LIABILITIES

The Group and the parent company have entered into performance bonds and agreements in the normal course of business.

The parent company has given guarantees in respect of Group undertakings and joint ventures of £3,739,000 (2003 - £2,018,000).

### 25. RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption contained in FRS8 (Related Party Transactions) which allows it not to disclose transactions with Group entities or investees of the Group qualifying as related parties.

#### Transactions with Joint Ventures

As at 31 December 2004 the Group was owed £nil (2003 - £16,188,000) by Grand Union Vision Limited.

# **TAYLOR WOODROW CONSTRUCTION LIMITED**

## **NOTES TO THE ACCOUNTS**

### **26. PARENT COMPANY**

The company's immediate and ultimate parent and controlling company is Taylor Woodrow plc, which is incorporated in Great Britain.

The largest Group of undertakings for which Group accounts are drawn up and of which the company is a member is the Taylor Woodrow plc Group. No other Group accounts are prepared. Copies of the Group accounts referred to above can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.