

Company Registration No. 3213873

TAYLOR WOODROW CONSTRUCTION LIMITED

Report and Financial Statements

31 December 2006

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TAYLOR WOODROW CONSTRUCTION LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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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 2006

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE PROSPECTS

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activities of the Taylor Woodrow Construction Group during the financial year have been building and civil engineering in the United Kingdom (UK) and Ghana, along with facilities management operations in the UK, Ireland, the Netherlands, Belgium and Luxembourg

The Group operates through two principal entities, Taylor Woodrow Construction Limited, a company incorporated in the UK with branch registrations in Europe, and Taysec Limited, a wholly owned subsidiary of Taylor Woodrow Construction Limited, operating and incorporated in Ghana

As at 31 December 2006 the Group order book stood at £1,194m (31 December 2005 £792m)

UK Contracting

Taylor Woodrow Construction Limited provides services to a limited number of blue chip clients in the UK in the retail, air, education, rail, and mixed-use residential sectors. Turnover for the financial year was £450m (2005 £428m), with an order book of £579m at 31 December 2006 (31 December 2005 £341m)

The business has again performed well in the year, winning Building Magazine's Major Contractor of the Year award for 2006

During the financial year additional provisions were made for costs to complete on three projects in Scotland undertaken for a sister company, Taylor Woodrow Developments Limited. Only one of these projects remains incomplete in 2007, and the directors believe that the risks associated with this area of the business are now sufficiently controlled

Facilities Management (FM)

FM turnover for the financial year was £104m (2005 £99m), with an order book of £569m at 31 December 2006 (31 December 2005 £369m). The business continues to support a number of blue chip clients in the UK, and also operates in the Republic of Ireland, the Netherlands, Belgium, and Luxembourg, with a European call centre based in Antwerp

The business specialises in multi-location facilities management, has expertise in large head office environments, and also supports the facilities that the UK contracting business has built under the Private Finance Initiative (PFI)

Ghana

The Group operates in Ghana through Taysec Limited. Turnover for the financial year was £56.6m (2005 £42.9m), with an order book of £44.8m at 31 December 2006 (31 December 2005 £80.8m). Taylor Woodrow has operated in Ghana since 1947 and current contracts include a large mining project at Iduapriem for Anglo Gold Ashanti, three road projects part funded by the European Union, small building works for various clients, and a limited number of executive housing developments. Taysec Ltd employs 2,804 (2005 2,524) people

The bank loans and overdrafts referred to in note 18 of the notes to the accounts are for the support of the Ghanaian operations and provide funding for short term leasehold properties (which provide a yard, head office and accommodation for employees seconded from the UK), and for £6.1m of the plant included in note 7 of the notes to the accounts

TAYLOR WOODROW CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED)

Private Finance Initiative (PFI)

During 2006 financial close was reached, and work commenced on two new hospitals for the St Helens and Whiston NHS trust. This work is being carried out under a PFI contract. Taylor Woodrow Construction Limited is contracted to New Hospitals Limited for the works. The company also has a contract for the maintenance of the hospitals until 2041, and holds a 19.9% investment in New Hospitals Ltd of £11,940 to date. All deferred preferred bidder costs associated with the project were recovered at financial close.

During 2006, further rights to invest in New Hospitals Limited were sold, realising a profit of £2,422,000. This is disclosed in the profit and loss account as 'Profit on disposal of investments and fixed assets'.

At the end of the current financial year Sheffield City Council had appointed the company as preferred bidder in respect of their Building Schools for the Future programme. At 31 December 2006 £5.0m of associated tender costs were held in other debtors. These costs were recovered in full at financial close on 31 July 2007.

Investments in United Healthcare (Bromley) Group Limited and United Healthcare (South Buckinghamshire Group) Limited were disposed of on 28 March 2007. An investment in Scotia Water Dalmuir (Holdings) Limited was disposed of on 12 April 2007. These investments were realised at a premium against book value.

People

Details of employees and related costs can be found in note 5 of the notes to the accounts. Further information is available in the annual report of Taylor Wimpey plc (formerly known as Taylor Woodrow plc), the Group's ultimate parent. Of particular note are the successes in the CIOB Construction Manager of the Year Awards where Jerry Williams, a production director, was a gold medal winner and Jason Griffiths, a senior project manager, a silver medal winner. Jerry Williams was also named Construction Manager of the Year. Steve Vorres also enjoyed success as the National House Building Council Project Manager of the Year.

Pensions

The United Kingdom companies are members of Defined Benefit and Defined Contribution pension schemes. Further details are included in note 1 of the accounts. Additional details of the schemes are also disclosed in the accounts of Taylor Wimpey plc (formerly known as Taylor Woodrow plc).

The Directors of Taylor Wimpey plc (formerly known as Taylor Woodrow plc) have allocated £9m of an additional annual contribution of £20m into the Defined Benefit and Defined Contribution pension schemes to Taylor Woodrow Construction Limited. This was paid in December 2006 in respect of the year beginning 1 December 2006. A sum of £0.75m has been charged to cost of sales in the profit and loss account for 2006. At 31 December 2006 the balance of £8.25m has been disclosed as a prepayment in debtors.

Health, Safety and Environment

Details of the Group's health, safety and environmental policies are disclosed in the accounts of Taylor Wimpey plc (formerly known as Taylor Woodrow plc).

The Group's incident rate for accidents was 7.61 in 2006 (2005 7.90) with a frequency rate of 0.33 (2005 0.34). The incident rate is defined as the total number of accidents for the year per thousand employees and sub contractors working on site and in office locations. The frequency rate is defined as the number of accidents per 100,000 man hours worked.

Our Environmental Management Standard (BS EN ISO14001) and Quality Management System Standard (BS ISO9001) accreditations were successfully retained in 2006.

On 1 January 2006, Taylor Woodrow Construction Limited became a corporate member of the Considerate Constructors Scheme. All eligible projects starting on site in 2006 participated in the scheme. Similarly, all eligible projects starting on site in 2006 participated in the Smartstart waste management scheme.

Following initiatives to reduce the amount of business mileage a reduction of 10% was achieved to 4.4 million miles (2005 4.9 million).

TAYLOR WOODROW CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

As with any business, the Taylor Woodrow Construction Group faces a number of risks and uncertainties in the course of its day-to-day operations. By effectively identifying and managing these risks, we are able to improve our returns thereby adding value for our shareholders. During 2006 the company has restructured its senior management team to provide better focus to the principal risks that it faces.

Customers

The company is reducing the number of customers that it works for in order to provide greater focus and an improved level of service to its remaining customers. The management team in this area no longer has any operational delivery responsibility, allowing more effort to be put into understanding our customers' needs, and developing meaningful relationships.

Capability

The company is striving for major improvements in supply chain management, design management, technology and innovation in order to mitigate delivery risks, and to enable us to better meet the needs of our customers. In respect of its suppliers the company is seeking strategic alliance partnerships in each of the key trades it has identified, and will further reduce the number of suppliers in each trade. The company aims to develop even stronger relationships with key suppliers, ultimately for the benefit of our customers.

All sub-contractors are thoroughly vetted to ensure that they meet our requirements for environmental impact, health and safety, quality and financial stability.

The key materials used in our operations, such as bricks, blocks, concrete, steel and timber are in heavy demand across the world. Changing patterns of construction demand due to factors ranging from changes in public sector construction programmes to natural disasters can have an influence on the availability of such materials. Our vetting process ensures that materials are responsibly sourced from financially stable suppliers and meet our requirements for health, safety and quality.

Operations

An operations director reporting directly to the main board of Taylor Woodrow Construction Limited leads each area of operations. The operations directors have no direct responsibility for business development, but work closely with the business development team through the stages of the product development to ensure that our product to the customer is delivered on time and to the requisite quality. The absolute focus of the operations team is on delivery to the customer.

We target selectively the type of work that we bid for, choosing not to participate in projects where we consider the risks are too great. We maintain detailed risk registers ensuring that risks are identified, priced or hedged and approved at the appropriate level before taking on a project. These registers are maintained throughout the life of the project and reviewed following the completion of the job to identify any key learning points for future projects. We now have a greater emphasis on identifying and deploying improved products and services to create better solutions for our customers and to give us competitive advantage. An example of this would be the work we have done around off-site manufacturing.

Construction can be subject to delays and cost over-runs arising for a wide variety of reasons. These include adverse ground conditions, changes to the original design once build has commenced and unfavourable weather.

People

Given the importance of our people to our business, the risk of losing and developing them is given added focus. Within Taylor Woodrow Construction Limited, the leadership of people is managed directly by the Managing Director, Tim Peach.

TAYLOR WOODROW CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED)

Site Safety

Building sites are inherently dangerous places. We recognise our responsibility to provide our workforce with a safe place of work and have a team of in-house Health and Safety specialists who provide training and site reviews.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the profit and loss account on page 8 with a profit after tax in the year of £10,615,000 (2005 profit after tax of £468,000). No interim dividend was paid during the year by the directors (2005 £nil). The directors recommend that no final dividend is paid in respect of the year ended 31 December 2006 (2005 £nil).

DIRECTORS

Messrs T Peach, C A Rowell, G Slack and D E Weston were directors for the whole of the financial year.

Messrs B J Morahan and G H Restall were appointed directors on 1 April 2006 and 18 September 2006 respectively.

Messrs A O Bickerstaff and C A Rowell resigned as directors on 9 March 2006 and 2 February 2007 respectively.

Mr R I Sykes was appointed a director on 1 April 2007.

During the financial year third party indemnity provisions were in force for the benefit of all the directors of the company. Such provisions had been made by the ultimate parent company during the year under review.

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 £9,281 (2005 £2,750) 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 Wimpey plc (formerly known as 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.

TAYLOR WOODROW CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED)

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 Group for the year ended 31 December 2006 were 44 days (2005 – 53 days), based on the ratio of trade creditors (excluding sub contract retentions and claims of £13,154,390 (2005 £12,937,482)) at the end of the year to the amounts invoiced during the year by trade creditors

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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
10 October 2007

TAYLOR WOODROW CONSTRUCTION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the 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 group and individual company financial statements (the "financial statements") of Taylor Woodrow Construction Limited for the year ended 31 December 2006 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 Consolidated and Individual Company Balance Sheets and the related notes 1 to 27. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and company's circumstances, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
10 October 2007

TAYLOR WOODROW CONSTRUCTION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	£000	2006 £000	£000	2005 £000
TURNOVER:					
Group and share of joint ventures					
– continuing operations			611,457		573,749
– discontinued operations			-		(94)
Less share of joint ventures			-		(4,813)
Group turnover	1, 2		611,457		568,842
Cost of sales	2		(571,999)		(545,610)
Gross profit	2		39,458		23,232
Administrative expenses	2		(33,202)		(31,134)
OPERATING PROFIT/(LOSS)					
Continuing operations		6,217		(7,902)	
Discontinued operations		39		-	
Group operating profit/(loss)	2, 3		6,256		(7,902)
Share of operating profit in joint ventures			89		71
			6,345		(7,831)
Income from other fixed asset investments			74		174
Profit on disposal of joint ventures and trade investments			-		874
Profit on disposal of investments and fixed assets			2,505		146
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST					
Interest receivable - Group		6,988	8,924	6,722	(6,637)
- External		996		988	
Interest payable	4		7,984 (1,826)		7,710 (1,319)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION					
Tax (charge)/credit on profit/(loss) on ordinary activities	1, 2 6		15,082 (4,467)		(246) 714
PROFIT FOR THE FINANCIAL YEAR RETAINED	21, 22		10,615		468

TAYLOR WOODROW CONSTRUCTION LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	£000	£000
Profit for the financial year	10,615	468
Unrealised surplus on revaluation of properties	930	-
Currency translation differences on foreign currency net investments	176	(59)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	11,721	409
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	£000	£000
Reported profit/(loss) and historical cost profit/(loss) on ordinary activities before taxation	15,082	(246)
Realisation of property revaluation gains of previous years	-	172
	<hr/>	<hr/>
Historical cost profit/(loss) on ordinary activities before taxation	15,082	(74)
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	10,615	640
	<hr/>	<hr/>

TAYLOR WOODROW CONSTRUCTION LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	£000	2006 £000	2005 £000
FIXED ASSETS				
Tangible assets	7		18,716	19,463
Investments				
Joint ventures				
Share of gross assets	11	87		197
Share of gross liabilities	11	(87)		(197)
Other fixed asset investments	12		3,327	3,373
			<u>22,043</u>	<u>22,836</u>
CURRENT ASSETS				
Stocks	13		4,272	6,348
Debtors	14		242,362	237,721
Cash at bank and in hand			9,610	16,825
			<u>256,244</u>	<u>260,894</u>
CREDITORS amounts falling due within one year	16		(140,934)	(159,222)
NET CURRENT ASSETS			<u>115,310</u>	<u>101,672</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			137,353	124,508
CREDITORS amounts falling due after more than one year	17		(2,390)	(784)
NET ASSETS			<u><u>134,963</u></u>	<u><u>123,724</u></u>
CAPITAL AND RESERVES				
Called up share capital	19		64,000	64,000
Revaluation reserve	20		(538)	86
Profit and loss account	21		71,501	59,638
SHAREHOLDERS' FUNDS	22		<u><u>134,963</u></u>	<u><u>123,724</u></u>

These financial statements were approved by the Board of Directors on 10 October 2007

Signed on behalf of the Board of Directors

T Peach
Director



G H Restall
Director



TAYLOR WOODROW CONSTRUCTION LIMITED
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Tangible assets	7	10,498	8,669
Investments			
Group undertakings	9	10,152	10,120
Joint ventures	11	-	-
Other fixed asset investments	12	3,327	3,373
		<u>23,977</u>	<u>22,162</u>
CURRENT ASSETS			
Stocks	13	1	250
Debtors	14	241,671	238,248
Cash at bank and in hand		8,836	15,535
		<u>250,508</u>	<u>254,033</u>
CREDITORS: amounts falling due within one year	16	<u>(130,194)</u>	<u>(141,906)</u>
NET CURRENT ASSETS		<u>120,314</u>	<u>112,127</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		144,291	134,289
CREDITORS: amounts falling due after more than one year	17	<u>(10,169)</u>	<u>(10,169)</u>
NET ASSETS		<u><u>134,122</u></u>	<u><u>124,120</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	64,000	64,000
Revaluation reserve	20	1,401	471
Profit and loss account	21	68,721	59,649
SHAREHOLDERS' FUNDS		<u><u>134,122</u></u>	<u><u>124,120</u></u>

These financial statements were approved by the Board of Directors on 10 October 2007

Signed on behalf of the Board of Directors

T Peach
Director



G H Restall
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 to include the revaluation of certain properties

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings and include the Group's share of the results and post-acquisition reserves of its joint ventures drawn up to 31 December each year. Goodwill on acquisition of subsidiary undertakings before 1998 has been written off against retained profit in prior years

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for using the acquisition method

Turnover

Turnover comprises the value of contracting work executed during the year and the invoiced value of other sales net of VAT and other sales related taxes

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. Provision is made for obsolete, slow-moving or defective items 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 the revaluation reserve, and any deficits below original cost are written off to the 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

Tender costs

Tender costs are charged directly to the profit and loss account as they arise. By exception, in accordance with UITF 34, tender costs incurred on Private Finance Initiative contracts after preferred bidder status has been achieved are held as an asset on the balance sheet

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING DEFINITIONS AND POLICIES (CONTINUED)

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

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 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

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

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

Pensions

The United Kingdom companies are members of Defined Benefit and Defined Contribution pension schemes. The Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the Taylor Woodrow NHS Pension Scheme (TWNHSPS) are funded Defined Benefit schemes. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004. The schemes are managed by trustees. All scheme assets are held separately from the Group. With the exception of the TWNHSPS the Defined Benefit schemes are closed to new entrants and with effect from 30 November 2006 to future pension accrual. An alternative Defined Contribution arrangement, the Taylor Woodrow Personal Choice Plan, is offered to new employees and from 1 December 2006 to employees who previously accrued benefits in the TWGP&LAF. The company is unable to identify its share of the underlying assets and liabilities of the scheme.

The most recent formal actuarial valuation of the TWGP&LAF was carried out at 1 June 2004, and updated to 1 September 2004 to take account of subsequent mergers. This disclosed that the market value of the scheme's assets at that date was £563,300,000 and that the value of the assets was sufficient to cover 90% of the benefits that had accrued to members after allowing for expected future increases in earnings. The actuaries to the scheme calculated the long term funding rate to be 16.0% of pensionable earnings.

The TWNHSPS commenced in December 2003 and the Actuary has completed his initial valuation with an effective date of 31 December 2003. This disclosed that the market value of the scheme's assets at that date was £50,000 and that the value of the assets was sufficient to cover 58% of the benefits that had accrued to members after allowing for expected future increases in earnings. The actuaries to the scheme calculated the long term funding rate to be 18.0% of pensionable earnings.

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING DEFINITIONS AND POLICIES (CONTINUED)

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 Wimpey plc (formerly known as 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 Wimpey plc (formerly known as Taylor Woodrow plc).

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.

Share-based payments

The company has applied the requirements of FRS 20 "Share-based payments". The company issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

2 SEGMENTAL ANALYSIS

	2006 £000	2005 £000
TURNOVER		
By Activity		
Construction	611,457	568,842
By Market		
Asia Pacific	-	213
Africa	56,601	42,887
Europe and Rest of the World	9,798	7,552
Total overseas	66,399	50,652
United Kingdom	545,058	518,190
	<u>611,457</u>	<u>568,842</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
By Activity		
Construction	15,082	(246)

ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2006 Continuing £000	2006 Dis- continued £000	2006 Total £000	2005 Continuing £000	2005 Dis- continued £000	2005 Total £000
Turnover	611,457	-	611,457	568,936	(94)	568,842
Cost of sales	(572,038)	39	(571,999)	(545,789)	179	(545,610)
Gross profit	39,419	39	39,458	23,147	85	23,232
Administrative Expenses	(33,202)	-	(33,202)	(31,049)	(85)	(31,134)
Operating profit/(loss)	<u>6,217</u>	<u>39</u>	<u>6,256</u>	<u>(7,902)</u>	<u>-</u>	<u>(7,902)</u>

3. GROUP OPERATING PROFIT/(LOSS)

	2006 £000	2005 £000
Group operating profit/(loss) is after charging:		
Depreciation of plant	5,272	3,635
Depreciation of short leasehold properties	111	111
Research and development	514	358
Plant hire	9,690	9,948
Rentals under operating leases		
- Hire of plant and machinery	1,828	2,263
- Other operating leases	1,147	1,167
Auditors' remuneration for audit services – Group	132	108
Auditors' remuneration for audit services – Company	95	90
Auditors' remuneration for non-audit services - Company		
- Overseas corporate advice	-	9
- Other	2	8
	<u></u>	<u></u>

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

4 INTEREST PAYABLE

	2006 £000	2005 £000
Bank loans and overdrafts	1,248	1,244
Foreign currency exchange	578	75
	<u>1,826</u>	<u>1,319</u>

The Group's share of joint venture net interest payable is £nil (2005 - £nil)

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

	2006 £000	2005 £000
Directors' emoluments		
Aggregate emoluments	<u>1,169</u>	<u>994</u>
Highest paid director	<u>365</u>	<u>241</u>
Accrued pension of the highest paid director at the year end	<u>67</u>	<u>62</u>

	No	No
Number of directors who exercised share options in the year	<u>5</u>	<u>7</u>
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	<u>7</u>	<u>6</u>

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

	Group 2006 No	2005 No	Company 2006 No	2005 No
Average number of persons employed (including directors)				
United Kingdom	1,311	1,497	1,311	1,497
Overseas	<u>2,815</u>	<u>2,529</u>	<u>11</u>	<u>5</u>
	<u>4,126</u>	<u>4,026</u>	<u>1,322</u>	<u>1,502</u>

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

	Group 2006 £000	2005 £000	Company 2006 £000	2005 £000
Staff costs during the year (including directors)				
Wages and salaries	68,929	64,070	58,747	58,710
Social security costs	6,544	6,150	6,084	5,884
Pension costs	<u>5,993</u>	<u>6,273</u>	<u>5,742</u>	<u>6,044</u>
	<u>81,466</u>	<u>76,493</u>	<u>70,573</u>	<u>70,638</u>

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 CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
Current Taxation		
United Kingdom corporation tax		
Current tax on income for the year at 30% (2005 - 30%)	3,108	385
Relief for overseas tax	-	(981)
Over provision in respect of prior years	(1,479)	(1,253)
Overseas tax suffered		
Overseas tax charge for the year	207	974
Under provision in respect of prior years	724	47
Total current taxation	2,560	(828)
Deferred taxation		
Origination and reversal of timing differences	1,630	(92)
Under provision in respect of prior years	277	206
Tax on profit/(loss) on ordinary activities	4,467	(714)
The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005- 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		
	2006 £000	2005 £000
Profit/(loss) on ordinary activities before tax	15,082	(246)
Tax charge/(credit) on profit/(loss) on ordinary activities before tax at standard rate	4,525	(74)
Factors affecting charge for the year		
Over provision in respect of prior years	(755)	(1,199)
Permanent disallowables	424	419
Non taxable income	(248)	(730)
Overseas income receivable	-	1,404
Double tax relief for overseas tax	-	(981)
Higher rates of tax on overseas earnings	(16)	10
Overseas withholding tax suffered	-	300
Depreciation for the period in excess of capital allowances	390	46
Short term timing differences	(1,072)	(63)
Pension provision	(719)	-
Tax trading losses brought forward	31	40
Current tax charge/(credit) for the year	2,560	(828)

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
GROUP					
Cost or valuation					
At 1 January 2006	7,176	10	2,966	44,689	54,841
Changes in exchange rates	-	-	-	(1)	(1)
Additions	-	-	125	2,102	2,227
Disposals	-	-	-	(3,039)	(3,039)
Net surplus on valuation	2,409	-	-	(55)	2,354
At 31 December 2006	<u>9,585</u>	<u>10</u>	<u>3,091</u>	<u>43,696</u>	<u>56,382</u>
Representing					
Properties valued -cost	9,278	8	-	-	9,286
-net surplus	307	2	-	-	309
Valuation	<u>9,585</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>9,595</u>
Others not valued-cost	-	-	3,091	43,696	46,787
	<u>9,585</u>	<u>10</u>	<u>3,091</u>	<u>43,696</u>	<u>56,382</u>
Depreciation					
At 1 January 2006	-	-	824	34,554	35,378
Changes in exchange rates	-	-	-	(1)	(1)
Disposals	-	-	-	(3,094)	(3,094)
Charge for year	-	-	111	5,272	5,383
At 31 December 2006	<u>-</u>	<u>-</u>	<u>935</u>	<u>36,731</u>	<u>37,666</u>
Net book value					
31 December 2006	<u>9,585</u>	<u>10</u>	<u>2,156</u>	<u>6,965</u>	<u>18,716</u>
31 December 2005	<u>7,176</u>	<u>10</u>	<u>2,142</u>	<u>10,135</u>	<u>19,463</u>

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

7. TANGIBLE FIXED ASSETS – (CONTINUED)

	Freehold £000	Properties Long Leasehold £000	Plant £000	Total £000
COMPANY				
Cost or valuation				
At 1 January 2006	7,176	10	5,289	12,475
Additions	-	-	169	169
Disposals	-	-	(1,596)	(1,596)
Net surplus on valuation	2,409	-	-	2,409
	<u>9,585</u>	<u>10</u>	<u>3,862</u>	<u>13,457</u>
Representing				
Properties valued -cost	9,278	8	-	9,286
-net surplus	307	2	-	309
	<u>9,585</u>	<u>10</u>	<u>-</u>	<u>9,595</u>
Valuation	9,585	10	-	9,595
Others not valued-cost	-	-	3,862	3,862
	<u>9,585</u>	<u>10</u>	<u>3,862</u>	<u>13,457</u>
Depreciation				
At 1 January 2006	-	-	3,806	3,806
Disposals	-	-	(1,596)	(1,596)
Charge for year	-	-	749	749
	<u>-</u>	<u>-</u>	<u>2,959</u>	<u>2,959</u>
At 31 December 2006	-	-	2,959	2,959
Net book value				
31 December 2006	<u>9,585</u>	<u>10</u>	<u>903</u>	<u>10,498</u>
31 December 2005	<u>7,176</u>	<u>10</u>	<u>1,483</u>	<u>8,669</u>

8. VALUATION OF PROPERTIES

The fixed asset properties of the company were valued at £9,585,000 as at 31 December 2006 by Knight Frank LLP, external Chartered Surveyors, on an existing use value basis in accordance with the Appraisal and Valuation Standards (5th Edition) of the Royal Institution of Chartered Surveyors

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

9. INVESTMENTS IN GROUP UNDERTAKINGS

COMPANY	Shares unlisted £000
Cost	
At 1 January 2006	22,971
	<u>22,971</u>
At 31 December 2006	22,971
	<u>22,971</u>
Amounts provided	
At 1 January 2006	12,851
Applied in the year	(32)
	<u>12,819</u>
At 31 December 2006	12,819
	<u>12,819</u>
Net book value	
At 31 December 2006	10,152
	<u>10,152</u>
At 31 December 2005	10,120
	<u>10,120</u>

10. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Principal subsidiaries	Country of incorporation and principal operations	Proportion of ordinary shares held %
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
Cost and share of reserves		
At 1 January 2006	31	-
	<u>31</u>	<u>-</u>
At 31 December 2006	31	-
	<u>31</u>	<u>-</u>
Amounts provided		
At 1 January 2006	31	-
	<u>31</u>	<u>-</u>
At 31 December 2006	31	-
	<u>31</u>	<u>-</u>
Net book value		
At 31 December 2006	-	-
	<u>-</u>	<u>-</u>
At 31 December 2005	-	-
	<u>-</u>	<u>-</u>

The Group holds interests in the following principal joint venture

	Country of incorporation and principal operations	Percentage of ordinary share capital	Percentage of preference share capital	Nature of business
Taylor Woodrow-Towell Co LLC*	Oman	50.00%	N/A	Construction

* Interest held by a subsidiary undertaking

The undertaking listed above is accounted for as a joint venture 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	2006 £000	£000	2005 £000
Share of assets				
Share of fixed assets	-		-	
Share of current assets	87		197	
		87		197
Share of liabilities				
Liabilities due within one year	(87)		(197)	
Liabilities due after more than one year	-		-	
		(87)		(197)
Share of net assets		-		-

12. OTHER FIXED ASSET INVESTMENTS

	Group			Company		
	Shares unlisted £000	Loans £000	Total £000	Shares unlisted £000	Loans £000	Total £000
Cost						
At 1 January 2006	336	3,704	4,040	336	3,704	4,040
Disposals	-	(46)	(46)	-	(46)	(46)
At 31 December 2006	336	3,658	3,994	336	3,658	3,994
Amounts provided						
At 1 January 2006	-	667	667	-	667	667
At 31 December 2006	-	667	667	-	667	667
Net book value						
At 31 December 2006	336	2,991	3,327	336	2,991	3,327
At 31 December 2005	336	3,037	3,373	336	3,037	3,373

Included in the above the following loans have been made

United Healthcare (Bromley) Group Limited	£1,821,618 (2005 - £1,866,904)
United Healthcare (South Buckinghamshire Group) Limited	£1,170,120 (2005 - £1,170,120)

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

13. STOCKS

	2006 £000	Group 2005 £000	2006 £000	Company 2005 £000
Raw materials and consumables	419	812	-	-
Land, development costs and construction thereon	3,853	5,536	1	250
	<u>4,272</u>	<u>6,348</u>	<u>1</u>	<u>250</u>

14. DEBTORS

	2006 £000	Group 2005 £000	2006 £000	Company 2005 £000
Receivable within one year				
Trade debtors	150	41	150	41
Amounts recoverable on contracts	60,916	45,619	44,899	37,742
Amounts owed by group undertakings	151,548	155,079	169,546	166,200
Taxation on profits	1,794	2,074	-	1,895
Deferred taxation (note 15)	1,764	3,671	2,175	4,397
Other debtors	14,536	30,211	13,294	27,059
Prepayments and accrued income	9,159	914	9,089	914
Receivable after one year				
Prepayments and accrued income	2,495	112	2,518	-
	<u>242,362</u>	<u>237,721</u>	<u>241,671</u>	<u>238,248</u>

15 DEFERRED TAXATION

	Group £000	Company £000
Balance at 1 January 2006	3,671	4,397
Current year movement	(1,907)	(2,222)
Balance at 31 December 2006	<u>1,764</u>	<u>2,175</u>

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

	2006 £000	Group 2005 £000	2006 £000	Company 2005 £000
Depreciation in excess of capital allowances	587	245	998	986
Retirement benefit obligations	(719)	-	(719)	-
Short term timing differences	1,896	3,426	1,896	3,411
	<u>1,764</u>	<u>3,671</u>	<u>2,175</u>	<u>4,397</u>

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

16. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Bank loans and overdrafts (note 18)	3,719	4,634	-	-
Payments received on account	19,709	24,493	18,989	22,057
Trade creditors	81,896	92,313	81,851	92,264
Amounts owed to group undertakings	545	642	1,355	1,538
Amounts owed to joint ventures	258	366	345	345
Taxation on profits	1,369	-	224	-
Other taxation and social security	133	182	91	110
Other creditors	5,328	9,296	1,689	1,453
Accruals and deferred income	27,977	27,296	25,650	24,139
	<u>140,934</u>	<u>159,222</u>	<u>130,194</u>	<u>141,906</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Bank loans and overdrafts (note 18)	2,341	735	-	-
Amounts owed to group undertakings	49	49	10,169	10,169
	<u>2,390</u>	<u>784</u>	<u>10,169</u>	<u>10,169</u>

18. BANK LOANS AND OVERDRAFTS

	Group 2006 £000	Group 2005 £000
Secured at rates from 8 28% to 20 60% (2005 – 11 25% to 21 5%)	<u>6,060</u>	<u>5,369</u>
Repayable -		
Up to one year	3,719	4,634
Between one and two years	123	735
Between two and five years	<u>2,218</u>	<u>-</u>
	<u>6,060</u>	<u>5,369</u>

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

19. CALLED UP SHARE CAPITAL

	2006 £000	2005 £000
Authorised:		
100,000,000 (2005 100,000,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid:		
64,000,000 (2005 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 2006	86	471
Exchange differences	(111)	-
Realised and transferred to profit and loss account	(1,443)	-
Net surplus on property valuations	930	930
	<hr/>	<hr/>
At 31 December 2006	(538)	1,401
	<hr/>	<hr/>

21. PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
At 1 January 2006	59,638	59,649
Exchange differences	287	-
Share-based payment credit	1,302	1,302
Transferred from revaluation reserve	1,443	-
Amount charged by parent company on exercise of share options	(1,784)	(1,784)
Profit for the year retained	10,615	9,554
	<hr/>	<hr/>
At 31 December 2006	71,501	68,721
	<hr/>	<hr/>
Comprising:		
The Company	68,721	
Group undertakings	2,952	
Joint ventures	(172)	
	<hr/>	
	71,501	
	<hr/>	

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 £9,554,000 (2005 --retained loss of £38,000)

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2006 £000	Group 2005 £000
Profit for the financial year	10,615	468
Other recognised gains and losses relating to the year (net)	1,106	(59)
Amount charged by parent company on exercise of share options	(1,784)	(1,005)
Share-based payment credit	1,302	1,133
Net increase in shareholders' funds	<u>11,239</u>	<u>537</u>
Opening shareholders' funds	123,724	123,187
Closing shareholders' funds	<u>134,963</u>	<u>123,724</u>

23. FINANCIAL COMMITMENTS

	Group			
	Land and buildings 2006 £000	Other 2006 £000	Land and buildings 2005 £000	Other 2005 £000
Non cancellable operating lease commitments				
Leases which expire				
Within one year	64	322	18	338
Within two to five years	198	1,563	267	1,845
After five years	612	-	596	-
	<u>874</u>	<u>1,885</u>	<u>881</u>	<u>2,183</u>

	Company			
	Land and buildings 2006 £000	Other 2006 £000	Land and buildings 2005 £000	Other 2005 £000
Non cancellable operating lease commitments				
Leases which expire				
Within one year	64	322	18	338
Within two to five years	198	1,563	267	1,845
After five years	612	-	596	-
	<u>874</u>	<u>1,885</u>	<u>881</u>	<u>2,183</u>

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

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 £nil (2005 - £nil)

25. SHARE BASED PAYMENTS

Equity settled share-based payment arrangements in existence during the year are as follows

Executive share-based reward

The Performance Share Plan

Conditional awards of shares are made to senior employees entitling them to receive shares of Taylor Wimpey plc (formerly known as Taylor Woodrow plc) at no direct cost. Vesting occurs on the third anniversary of the award, provided that the performance criterion is fulfilled. There is a limit for awards under the current Plan Rules of 200% of basic salary per annum.

The plan contains two elements

Basic awards – which under current policy are restricted to a current maximum of 75% of basic salary, and

Enhanced awards – which under current policy are restricted to a current maximum of 50% of basic salary

Enhanced awards, introduced in 2005, are made on a discretionary basis to certain individuals

The vesting criteria for these awards are as follows

Basic Awards

Taylor Wimpey plc (formerly known as Taylor Woodrow plc) Group Earnings per share (EPS) outperforms the UK Index of Retail Prices (RPI) by 3% per annum compound over three years – 50% of awards vest

Taylor Wimpey plc (formerly known as Taylor Woodrow plc) Group EPS outperforms the RPI by 6% per annum compound over three years – 100% of awards vest

A sliding scale will operate on a pro-rata basis for the growth between 3% and 6%

Enhanced Awards

Median Total Shareholder Return (TSR) performance relative to the sector peer group – nil vesting

Better than median TSR performance relative to the sector peer group – 40% of the enhanced awards vest

Upper quartile TSR performance relative to the sector peer group – 100% of the enhanced awards vest

There will be no re-testing of the performance condition

Deferred Bonus Plan Matching Award

Certain senior employees have the opportunity of participating in the deferred bonus plan by investing some or all of their pre-tax bonus in the purchase of shares in Taylor Wimpey plc (formerly known as Taylor Woodrow plc) on either a gross or net voluntary basis. If these shares remain undrawn for a period of three years participants will be awarded the same number of shares in Taylor Wimpey plc (formerly known as Taylor Woodrow plc) at no cost, provided that Taylor Wimpey plc (formerly known as Taylor Woodrow plc) Group EPS shall have grown by at least 3% compound in real terms during the three prior financial years.

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

25. SHARE BASED PAYMENTS (CONTINUED)

All employees share based reward

Sharesave Plan

All United Kingdom employees with at least three months service can save up to £250 per month and receive three or five year options to acquire Taylor Wimpey plc (formerly known as Taylor Woodrow plc shares priced at a discount of up to 20% of the market value at the date of the grant

Share Purchase Plan

All United Kingdom employees with at least three months service are permitted to invest up to £1,500 per annum of their pre-tax earned income in the purchase of partnership shares of Taylor Wimpey plc (formerly known as Taylor Woodrow plc. Such shares, if held for a period of three years, attract an award of free matching shares. Currently participants receive one free matching share for each partnership share purchased

The rules for all of the share-based payment arrangements referred to above provide for the early vesting or exercise of share entitlements in the event of a participant's death or cessation of employment because of a change of control, sale of business, disability, redundancy or retirement

	2006		2005	
	Options & conditional share awards	Weighted average exercise price (in £)	Options & conditional share awards	Weighted average exercise price (in £)
Outstanding at beginning of period	5,617,756	1 59	6,971,345	1 66
Granted during the period	1,061,910	1 46	1,131,391	1 15
Lapsed during the period	(575,903)	1 14	(669,857)	(1 67)
Exercised during the period	(2,008,033)	1 84	(1,818,123)	(1 57)
Outstanding at the end of the period	4,092,730	1 50	5,614,756	1 59
Exercisable at the end of the period	601,704	2 04	338,112	1 55

The weighted average share price at the date of exercise for share options exercised during the period was £3 74 (2005 £3 17)

The options outstanding at 31 December 2006 had a range of exercise prices from £nil to £2 79 (2005 £nil to £2 61) and a weighted average remaining contractual life of 2 6 years (2005 4 9 years)

For share options with non-market conditions granted during the current and preceding year the fair value of those options at grant date were determined using the Binomial model. The inputs into that model were as follows

	2006	2005
Weighted average share price	£3 74	£3 11
Weighted average exercise price	£1 02	£0 68
Expected volatility	27 0%-29 3%	32 4%-32 9%
Expected life	3/5 years	3/5 years
Risk free rate	4 5%-4 8%	4 33%-4 36%
Expected dividend yield	4 1%	3 6%-3 8%

The weighted average fair value of share options granted during the year is £2 56 (2005 £2 29)

TAYLOR WOODROW CONSTRUCTION LIMITED

NOTES TO THE ACCOUNTS

25. SHARE BASED PAYMENTS (CONTINUED)

For share options with market conditions granted during the current year, the fair value of these options were determined using the Monte Carlo simulation model. The inputs into that model were as follows

	2006	2005
Weighted average share price	£3.82	£3.19
Weighted average exercise price	£nil	£nil
Expected volatility	27%	26%-30%
Expected life	3 years	3 years
Risk free rate	4.5%	4.2%
Expected dividend yield	4.1%	3.6%

The weighted average fair value of share options granted during the year is £1.01 (2005 £1.75)

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term. The expected life used in the model is based on historical exercise patterns.

The Company recognised total expenses of £1,302,000 (2005 £1,133,000) related to equity-settled share based payment transactions.

26. RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption contained in FRS 8 (Related Party Transactions) which allows it not to disclose transactions with Group entities or investees of the Group qualifying as related parties.

27. SIGNIFICANT EVENT SINCE THE BALANCE SHEET DATE

On 3 July 2007 Taylor Woodrow plc, the ultimate parent company, merged with George Wimpey plc to create Taylor Wimpey plc, the UK's largest housebuilding group.

28. PARENT COMPANY

The company's immediate and ultimate parent and controlling company is Taylor Wimpey plc (formerly known as Taylor Woodrow plc), which is incorporated in Great Britain.

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