Company Registration No. 3213873

# TAYLOR WOODROW CONSTRUCTION

# (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## Report and Financial Statements

## 31 December 2007

# TAYLOR WOODROW CONSTRUCTION
# (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## REPORT AND FINANCIAL STATEMENTS 2007

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# TAYLOR WOODROW CONSTRUCTION
# (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE PROSPECTS

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activities of the Taylor Woodrow Construction Group during the year have been construction and facilities management operations in the United Kingdom (UK), and construction and mining activities in Ghana. In addition, facilities management operations continue in the Netherlands, Belgium, Luxembourg and Ireland

On 3 July 2007, Taylor Woodrow plc, the ultimate parent company, acquired George Wimpey plc through a merger Taylor Woodrow plc subsequently changed its name to Taylor Wimpey plc There was no change in the ownership of Taylor Woodrow Construction Limited

On 4 September 2008 the business was re-registered as an unlimited company by its sole member, Taylor Wimpey plc

On 5 September 2008 the company paid a dividend of £66,859,000 to Taylor Wimpey plc

On 9 September 2008 a special resolution was passed to reduce the share capital to £10,028,000 and a dividend of £53,972,000 was paid to Taylor Wimpey plc

On 9 September 2008 the entire share capital of Taylor Woodrow Construction was acquired by Vinci plc

On 10 September 2008 the directors approved the issue of 15,000,000 £1 ordinary shares at par to Vinci plc.

**Key Performance Indicators**

The directors consider the following as key performance indicators for the business -

Order book – to hold an appropriate level of order book to give visibility of profits for the forthcoming year

Operating Margin – to deliver industry leading operating margins This is measured as profit on ordinary activities before finance costs and exceptional items

Customer satisfaction – to maintain and improve our customer satisfaction scores Further details can be found on page 3 of the directors report

Health and Safety – to continually improve health and safety on all of the group's activities

### OPERATIONS

The Group's turnover increased by 4 6% to £639 8m (2006 £611 5m), with the year end order book increasing by 2 5% to £1,225m (2006 £1,194m)

**Building**

The building business operates across a number of sectors in the UK, namely retail, air, education, health and mixed-use residential The business focuses on long term relationships with a limited number of blue chip clients Turnover for the financial year was £379m (2006 £326m) At the year end the order book stood at £360m (2006 £492m), with £276m secured for 2008 (2006 £262m), the reduction reflecting the magnitude of work undertaken on the St Helens PFI scheme

The Group undertook projects in this area for a company within Taylor Wimpey plc. During the year, this generated turnover of £34m (2006 £60m)

**Infrastructure and Rail**

The rail business operates predominantly within the London area for a number of infrastructure clients

During the year a significant project was secured for the Docklands Light Railway, and work continued assisting Crossrail The Group had been in contract with one of the Metronet subsidiaries, and all monies due have been recovered

Turnover for the financial year was £103m (2006 £119m) At the year end the order book stood at £199m (2006 £86m) with £112m secured for 2008 (2006 £69m)

## DIRECTORS' REPORT (CONTINUED)

**Facilities Management (FM)**

The FM business operates within the financial, retail, petroleum, telecommunications, health and education sectors, servicing corporate offices, retail sites and commercial facilities Operations extend into the Benelux region where they are supported by our Antwerp call centre The FM business supports most of the facilities built by the Group under the Private Finance Initiative (PFI) and as such represents a secure long term income stream

Turnover for the financial year was £117m (2006 £104m) At the year end the order book stood at £619m (2006 £569m) with £100m secured for 2008 (2006 £102m)

**Ghana**

The Ghana business significantly underperformed in the financial year Turnover for the financial year was £35m (2006 £56m), whilst the principal operating subsidiary, Taysec Ltd, generated a loss before tax of £18m This was solely due to the performance of the road building division within Taysec Ltd The contract mining and housing development businesses both significantly exceeded expectations

The bank loans and overdrafts referred to in note 19 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 0m of the net book value of the plant included in note 7 of the notes to the accounts

On 16 July 2008 the Ghana mining activities were sold The Ghana construction activities were transferred to Taylor Wimpey plc on 24 July 2008

**Technology Centre**

Our Technology Centre provides support services and technical expertise to the rest of our business, as well as providing a range of services for external clients These services include building investigation, CDM and health and safety support, environmental consultancy advice, and extensive testing facilities for cladding, acoustic, fire and structural investigation The Technology Centre also provides the lead in the Group's programme of research and development in the fields of construction and FM

Turnover for the financial year was £3m (2006 £3m)

**Private Finance Initiative (PFI)**

The business holds investments in the following PFI concession companies

New Hospitals (St Helens and Knowsley) Holdings Ltd – a 19 9% investment totalling £11,940 to date There is a commitment to increase the level of investment by £5 87m during construction through 2009 to 2011 The business has contracted with New Hospitals (St Helens and Knowsley) Holdings Ltd for the construction of two new hospitals at St Helens and Whiston for the St Helens and Knowsley NHS Trust

Paradigm (Sheffield BSF) Ltd – a 40% investment totalling £5,040 to date with a commitment to increase the level of investment by £2 47m on completion of construction in 2009 The business has contracted with Paradigm for the construction of three schools for Sheffield City Council under the Building Schools for the Future (BSF) programme

During 2007 financial close was achieved on the Sheffield BSF scheme and all outstanding balances held in other debtors relating to preferred bidder costs (2006 - £5 0m) were recovered in full

The business is not currently bidding for any PFI schemes and no bid costs are retained on the balance sheet

Investments in United Healthcare (Bromley) Group Limited, United Healthcare (South Buckinghamshire Group) Limited, and Scotia Water Dalmuir (Holdings) Limited were disposed of during the course of the year realising a profit of £5.58m.

**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

The Directors of Taylor Wimpey plc have allocated £9m of an additional annual contribution of £20m into the Defined Benefit pension scheme to Taylor Woodrow Construction Limited This was paid in December 2007 in respect of the year beginning 1 December 2007 A sum of £0 75m has been charged to cost of sales in the profit and loss account, together with £8 25m charged in respect of a prepayment carried forward from 2006 At 31 December 2007 the balance of £8 25m has been disclosed as a prepayment in debtors

## DIRECTORS' REPORT (CONTINUED)

**Health, Safety and Environment**

The Taylor Woodrow Construction Group is committed to continually improving health and safety on all of its activities

Construction activity by its very nature is categorised as high risk Taylor Woodrow Construction Group recognises its responsibility to provide its workforce with a safe place of work and has a team of in-house Health and Safety specialists who provide training and site reviews

Details of the Group's health, safety and environmental policies are disclosed in the accounts of Taylor Wimpey plc

The Group's incident rate for accidents was 7 07 in 2007 (2006 7 61) with a frequency rate of 0 30 (2006 0 33) 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 2007

All eligible projects are now registered with the Considerate Constructors Scheme with an average score of 34 90 from 40 During the year the Victoria Wharf project in Cardiff achieved a score of 40 from an audit

### PRINCIPAL RISKS AND UNCERTAINTIES

**People**

The Taylor Woodrow Construction Group is predominantly a people business, and as such the recruitment and retention of good quality people is one of the key risks and opportunities for the business

A programme to focus on behaviours and personal development is well embedded within the business

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

**Customers**

The Taylor Woodrow Construction Group has developed a strong sense of customer satisfaction and service For many years the business has collected "Customer Heartbeat" data in order to gain feedback on performance and relationship management This feedback has been used to develop behaviours and further understanding of customers needs This in turn has driven a focus towards those customers that we feel that we are best able to deliver for, reducing the risks of disputes with customers

**Delivery**

The customer focus approach leads to understanding of customer needs but also to understanding of how to deliver the product or service

The majority of work is delivered through supply chain partners and as such our relationships with suppliers are of significant importance Where possible we seek to work with long term strategic alliance partners who understand us and our customer needs, and whose needs we also work to understand

Strong processes are utilised throughout the 'construction' process, beginning in the early stages of bids, right through delivery We recognise that good delivery emanates from the pre-construction work undertaken These processes drive a strong discipline of risk and opportunity management into our project teams and detailed risk registers are maintained for every project.

**Group Services**

Prior to the parent company merger into Taylor Wimpey plc, a number of functions were managed at a group level Subsequently safety audit, human resources and information technology have been separated out from central group management and are now managed directly within Taylor Woodrow Construction, the exception being IT where a dedicated data centre for the construction businesses software is in the process of being established This is expected to be complete by the end of October 2008 at which point there will be no commonality of software or network between Taylor Woodrow Construction and Taylor Wimpey plc

# DIRECTORS' REPORT (CONTINUED)

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

### Financial

The principal financial risks faced by the Group are directly associated with contract performance, more specifically initial selection of projects, planning and estimating of costs, cost control during execution and recovery of monies due from our clients

The Group manages these risks using specific controls The Group is highly selective in opportunities that are pursued, and will consider, amongst other issues, complexity of the project, project location, employee availability, contract terms, customer relationship and the likelihood of a successful bid

All opportunities are reviewed by at least three directors for assurance that they will fit within the Group's strategic portfolio of work Final bid submissions are approved by either one or two directors depending on the risk profile All projects valued above £30M have been approved by the Chief Executive Officer of Taylor Wimpey plc All projects valued above £100M have been approved by the Taylor Wimpey plc board

During contract execution the business uses well established procedures for the control of costs All projects access and input cost information directly into the commercial accounting system reporting monthly on costs to date, end forecast cost, and end forecast value For each active project the Project Manager prepares a one page report known as a Project Managers Report This report summarises progress on the project and includes the monthly, cumulative and forecast cost value position, cash received, project risks and opportunities, and a narrative of current issues The report is submitted directly to the managing director two working days after the end of the month

Profit release guidelines are an integral element of the accounting and commercial procedures with a particular focus on end profit forecasting

Financial checks are an important part of our risk assessment of both customers and suppliers Investment opportunities have been subject to strict control procedures from the Taylor Wimpey plc Group

The business maintains insurance policies in respect of all known material areas of financial loss other than those described here Insurance policies and claims have been managed by a company within the Taylor Wimpey plc Group

The Ghanaian operation carries additional financial risk, namely foreign currency risk The business attempts to mitigate this risk through the matching of currency assets and currency liabilities Operations in Ghana involve trading in sterling, US dollars, Euros and Ghanaian Cedis

## 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 loss after tax in the year of £7,424,000 (2006 profit after tax of £10,615,000). No interim dividend was paid during the year by the directors (2006 £nil) The directors recommend that no final dividend is paid in respect of the year ended 31 December 2007 (2006 £nil)

## DIRECTORS

Messrs B J Morahan, T Peach, G H Restall, G Slack and D E Weston were directors for the whole of the financial year Mr C A Rowell resigned as a director on 2 February 2007 Mr R I Sykes was appointed a director on 1 April 2007 Messrs D E Weston and G Slack resigned as directors on 13 June 2008 and 23 July 2008 respectively Messrs A M Comba and D A L Joyce were appointed as directors on 9 September 2008

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 £13,180 (2006 £9,281) to various charities in the UK

## TAYLOR WOODROW CONSTRUCTION
## (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## DIRECTORS' REPORT (CONTINUED)

### 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 maintained 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

### 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 Group for the year ended 31 December 2007 were 47 days (2006 – 44 days), based on the ratio of trade creditors excluding sub contract retentions and claims of £12,063,742 (2006 £13,154,390) 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 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

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

G H Restall
Director
30 September 2008

## TAYLOR WOODROW CONSTRUCTION
## (FORMERLY 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, 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 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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WOODROW CONSTRUCTION (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

We have audited the group and individual company financial statements (the "financial statements") of Taylor Woodrow Construction (formerly Taylor Woodrow Construction Limited) for the year ended 31 December 2007 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 31 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 2007 and of the group's loss 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, United Kingdom
30 September 2008

## TAYLOR WOODROW CONSTRUCTION
## (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

| | Notes | £000 | 2007 £000 | £000 | 2006 £000 |
|---|---|---|---|---|---|
| **GROUP TURNOVER – continuing operations** | 1, 2 | | 639,823 | | 611,457 |
| Cost of sales | 2 | | (619,946) | | (571,999) |
| **Gross profit** | 2 | | 19,877 | | 39,458 |
| Administrative expenses | 2 | | (34,542) | | (33,202) |
| **OPERATING (LOSS)/PROFIT** | | | | | |
| Continuing operations | | (14,966) | | 6,217 | |
| Discontinued operations | | 301 | | 39 | |
| **Group operating (loss)/profit** | 2, 3 | | (14,665) | | 6,256 |
| Share of operating profit in joint ventures | | | 74 | | 89 |
| Share of operating profit in associates | | | 4 | | - |
| | | | (14,587) | | 6,345 |
| Income from other fixed asset investments | | | - | | 74 |
| Profit on disposal of investments and fixed assets | | | 5,520 | | 2,505 |
| **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST** | | | (9,067) | | 8,924 |
| Interest receivable - Group | | 8,999 | | 6,988 | |
| - External | | 687 | | 996 | |
| | | | 9,686 | | 7,984 |
| Interest payable | 4 | | (1,132) | | (1,826) |
| **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | 1, 2 | | (513) | | 15,082 |
| Tax charge on (loss)/profit on ordinary activities | 6 | | (6,911) | | (4,467) |
| **(LOSS)/PROFIT FOR THE FINANCIAL YEAR RETAINED** | 22, 23 | | (7,424) | | 10,615 |

# TAYLOR WOODROW CONSTRUCTION
# (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2007

| | 2007<br>£000 | 2006<br>£000 |
|---|---|---|
| (Loss)/profit for the financial year | (7,424) | 10,615 |
| Unrealised surplus on revaluation of properties | - | 930 |
| Currency translation differences on foreign currency net investments | (14) | 176 |
| Total recognised gains and losses relating to the year | (7,438) | 11,721 |

## CONSOLIDATED STATEMENT OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2007

| | 2007<br>£000 | 2006<br>£000 |
|---|---|---|
| Reported (loss)/profit and historical cost (loss)/profit on ordinary activities before taxation | (513) | 15,082 |
| Realisation of property revaluation gains of previous years | 1,000 | - |
| Historical cost profit on ordinary activities before taxation | 487 | 15,082 |
| Historical cost (loss)/profit for the year retained after taxation and dividends | (6,424) | 10,615 |

## TAYLOR WOODROW CONSTRUCTION
## (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

| | Notes | £000 | 2007 £000 | £000 | 2006 £000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible assets | 7 | | 17,183 | | 18,716 |
| Investments | | | | | |
| Joint ventures | | | | | |
| Share of gross assets | 11 | 159 | | 87 | |
| Share of gross liabilities | 11 | (159) | | (87) | |
| | | | - | | - |
| Associates | | | | | |
| Share of net assets | 12 | | 1 | | - |
| Other fixed asset investments | 13 | | 12 | | 3,327 |
| | | | 17,196 | | 22,043 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 14 | | 4,047 | | 4,272 |
| Debtors | 15 | | 265,480 | | 242,362 |
| Cash at bank and in hand | | | 8,583 | | 9,610 |
| | | | 278,110 | | 256,244 |
| **CREDITORS: amounts falling due within one year** | 16 | | (167,145) | | (140,934) |
| **NET CURRENT ASSETS** | | | 110,965 | | 115,310 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 128,161 | | 137,353 |
| **CREDITORS: amounts falling due after more than one year** | 17 | | (1,506) | | (2,390) |
| **NET ASSETS** | | | 126,655 | | 134,963 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 20 | | 64,000 | | 64,000 |
| Revaluation reserve | 21 | | (1,559) | | (538) |
| Profit and loss account | 22 | | 64,214 | | 71,501 |
| **SHAREHOLDERS' FUNDS** | 23 | | 126,655 | | 134,963 |

These financial statements were approved by the Board of Directors on 30 September 2008

Signed on behalf of the Board of Directors

T Peach
Director

G H Restall
Director

# TAYLOR WOODROW CONSTRUCTION
# (FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2007

| | Notes | 2007 £000 | 2006 £000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | 7 | 9,143 | 10,498 |
| Investments | | | |
| Group undertakings | 9 | 10,142 | 10,152 |
| Joint ventures | 11 | - | - |
| Associates | 12 | 5 | - |
| Other fixed asset investments | 13 | 12 | 3,327 |
| | | 19,302 | 23,977 |
| **CURRENT ASSETS** | | | |
| Stocks | 14 | 1 | 1 |
| Debtors | 15 | 265,589 | 241,671 |
| Cash at bank and in hand | | 7,241 | 8,836 |
| | | 272,831 | 250,508 |
| **CREDITORS: amounts falling due within one year** | 16 | (157,263) | (130,194) |
| **NET CURRENT ASSETS** | | 115,568 | 120,314 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 134,870 | 144,291 |
| **CREDITORS: amounts falling due after more than one year** | 17 | (10,159) | (10,169) |
| **NET ASSETS** | | 124,711 | 134,122 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 20 | 64,000 | 64,000 |
| Revaluation reserve | 21 | 401 | 1,401 |
| Profit and loss account | 22 | 60,310 | 68,721 |
| **SHAREHOLDERS' FUNDS** | | 124,711 | 134,122 |

These financial statements were approved by the Board of Directors on 30 September 2008

Signed on behalf of the Board of Directors

T Peach
Director

G H Restall
Director

# TAYLOR WOODROW CONSTRUCTION
# (FORMERLY 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 and associates 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

**Long Term Contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account Excess progress payments are included in creditors as payments on account

**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 Turnover on long term contracts is calculated by reference to the value of work performed to date as a proportion of total contract value

**Loss on ordinary activities for the year**

The loss 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

# 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

**Associates**

In the group financial statements investments in associates are accounted for using the equity method The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet

**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

## NOTES TO THE ACCOUNTS

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

**Pensions (continued)**

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 With effect from 1st December 2006 Taylor Woodrow plc, as principal employer to the TWGPLAF, agreed with the Trustees of the TWGPLAF to increase deficit repair contributions to £20m per annum for a period of 10 years A further valuation of the TWGPLAF is currently underway with an effective date of 1 June 2007

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 A further valuation of the TWNHSPS is currently underway with an effective date of 31 December 2006

**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 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

**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

## NOTES TO THE ACCOUNTS

### 2. SEGMENTAL ANALYSIS

| | 2007 £000 | 2006 £000 |
|---|---|---|
| **TURNOVER** | | |
| **By Activity** | | |
| Construction | 639,823 | 611,457 |
| **By Market** | | |
| Africa | 35,614 | 56,601 |
| Europe and Rest of the World | 8,731 | 9,694 |
| Total overseas | 44,345 | 66,295 |
| United Kingdom | 595,478 | 545,162 |
| | 639,823 | 611,457 |
| **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | |
| **By Activity** | | |
| Construction | (513) | 15,082 |
| **By Market** | | |
| Africa | (18,229) | (429) |
| Europe and Rest of the World | 1,426 | 1,991 |
| Total overseas | (16,803) | 1,562 |
| United Kingdom | 16,290 | 13,520 |
| | (513) | 15,082 |

**ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS**

| | 2007 Continuing £000 | 2007 Dis-continued £000 | 2007 Total £000 | 2006 Continuing £000 | 2006 Dis-continued £000 | 2006 Total £000 |
|---|---|---|---|---|---|---|
| Turnover | 639,823 | - | 639,823 | 611,457 | - | 611,457 |
| Cost of sales | (620,247) | 301 | (619,946) | (572,038) | 39 | (571,999) |
| Gross profit | 19,576 | 301 | 19,877 | 39,419 | 39 | 39,458 |
| Administrative expenses | (34,542) | - | (34,542) | (33,202) | - | (33,202) |
| Operating (loss)/profit | (14,966) | 301 | (14,665) | 6,217 | 39 | 6,256 |

## NOTES TO THE ACCOUNTS

### 3. GROUP OPERATING (LOSS)/PROFIT

| | 2007<br>£000 | 2006<br>£000 |
|---|---|---|
| **Group operating (loss)/profit is after charging:** | | |
| Depreciation of plant | 1,134 | 5,272 |
| Depreciation of short leasehold properties | 118 | 111 |
| Research and development | 889 | 514 |
| Plant hire | 8,833 | 9,690 |
| Rentals under operating leases | | |
| - Hire of plant and machinery | 1,910 | 1,828 |
| - Other operating leases | 1,183 | 1,147 |

Analysis of auditors remuneration is as follows

| | 2007 | 2006 |
|---|---|---|
| Fees payable to the company's auditors for the audit of the company's accounts | 79 | 95 |
| The audit of the company's subsidiaries pursuant to legislation | 36 | 37 |
| Total audit fees | 115 | 132 |
| Overseas corporate advice | 113 | - |
| Other services | 5 | 2 |
| Total non-audit fees | 118 | 2 |

### 4. INTEREST PAYABLE

| | 2007<br>£000 | 2006<br>£000 |
|---|---|---|
| Bank loans and overdrafts | 1,097 | 1,248 |
| Foreign currency exchange | 35 | 578 |
| | 1,132 | 1,826 |

The Group's share of joint venture net interest payable is £nil (2006 - £nil) The Group's share of associate net interest payable is £235,000 (2006 - £nil)

## 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

| | 2007 £000 | 2006 £000 |
|---|---|---|
| **Directors' emoluments** | | |
| Aggregate emoluments | 1,194 | 1,169 |
| Compensation for loss of office | 81 | - |
| Highest paid director | 312 | 365 |
| Accrued pension of the highest paid director at the year end | - | 67 |
| | **No** | **No** |
| Number of directors who exercised share options in the year | 2 | 5 |
| 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 | - | 7 |

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

| | Group 2007 No | 2006 No | Company 2007 No | 2006 No |
|---|---|---|---|---|
| **Average number of persons employed (including directors)** | | | | |
| United Kingdom | 1,431 | 1,311 | 1,431 | 1,311 |
| Overseas | 2,208 | 2,815 | 10 | 11 |
| | 3,639 | 4,126 | 1,441 | 1,322 |

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

| | Group 2007 £000 | 2006 £000 | Company 2007 £000 | 2006 £000 |
|---|---|---|---|---|
| **Staff costs during the year (including directors)** | | | | |
| Wages and salaries | 72,160 | 68,929 | 61,993 | 58,747 |
| Social security costs | 7,172 | 6,544 | 6,844 | 6,084 |
| Pension costs | 3,898 | 5,993 | 3,682 | 5,742 |
| | 83,230 | 81,466 | 72,519 | 70,573 |

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

## NOTES TO THE ACCOUNTS

### 6. TAX CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

| | 2007 £000 | 2006 £000 |
|---|---|---|
| **Current Taxation** | | |
| United Kingdom corporation tax | | |
| Current tax on income for the year at 30% (2006 - 30%) | 3,228 | 3,108 |
| Under/(over) provision in respect of prior years | 344 | (1,479) |
| Overseas tax suffered | | |
| Overseas tax charge for the year | 210 | 207 |
| Under provision in respect of prior years | 1,166 | 724 |
| Total current taxation | 4,948 | 2,560 |
| **Deferred taxation** | | |
| Origination and reversal of timing differences | 153 | 1,630 |
| Under provision in respect of prior years | 1,810 | 277 |
| Tax on (loss)/profit on ordinary activities | 6,911 | 4,467 |

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006- 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

| | 2007 £000 | 2006 £000 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | (513) | 15,082 |
| Tax (credit)/charge on (loss)/profit on ordinary activities before tax at standard rate | (154) | 4,525 |
| **Factors affecting charge for the year:** | | |
| Under/(over) provision in respect of prior years | 1,510 | (755) |
| Permanent disallowables | 257 | 424 |
| Non -taxable income | (2,215) | (248) |
| Overseas income receivable | 210 | - |
| Higher rates of tax on overseas earnings | - | (16) |
| Depreciation for the period in excess of capital allowances | (115) | 390 |
| Short term timing differences | 611 | (1,072) |
| Pension provision | (607) | (719) |
| Unutilised current year losses | 5,493 | 31 |
| Effect of rate change | (42) | - |
| Current tax charge for the year | 4,948 | 2,560 |

## NOTES TO THE ACCOUNTS

### 7. TANGIBLE FIXED ASSETS

| | | Properties | | | |
|---|---|---|---|---|---|
| | | Long | Short | | |
| | Freehold | Leasehold | Leasehold | Plant | Total |
| | £000 | £000 | £000 | £000 | £000 |
| **GROUP** | | | | | |
| **Cost or valuation** | | | | | |
| At 1 January 2007 | 9,585 | 10 | 3,091 | 43,696 | 56,382 |
| Additions | - | - | 23 | 1,346 | 1,369 |
| Disposals | (1,500) | - | - | (1,384) | (2,884) |
| At 31 December 2007 | 8,085 | 10 | 3,114 | 43,658 | 54,867 |
| **Representing** | | | | | |
| Properties valued -cost | 8,778 | 8 | - | - | 8,786 |
| -net deficit | (693) | 2 | - | - | (691) |
| Valuation | 8,085 | 10 | - | - | 8,095 |
| Others not valued-cost | - | - | 3,114 | 43,658 | 46,772 |
| | 8,085 | 10 | 3,114 | 43,658 | 54,867 |
| **Depreciation** | | | | | |
| At 1 January 2007 | - | - | 935 | 36,731 | 37,666 |
| Disposals | - | - | - | (1,234) | (1,234) |
| Charge for year | - | - | 118 | 1,134 | 1,252 |
| At 31 December 2007 | - | - | 1,053 | 36,631 | 37,684 |
| **Net book value** | | | | | |
| 31 December 2007 | 8,085 | 10 | 2,061 | 7,027 | 17,183 |
| 31 December 2006 | 9,585 | 10 | 2,156 | 6,965 | 18,716 |

## 7. TANGIBLE FIXED ASSETS – (CONTINUED)

| | Freehold £000 | Properties Long Leasehold £000 | Plant £000 | Total £000 |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **Cost or valuation** | | | | |
| At 1 January 2007 | 9,585 | 10 | 3,862 | 13,457 |
| Additions | - | - | 741 | 741 |
| Disposals | (1,500) | - | (896) | (2,396) |
| At 31 December 2007 | 8,085 | 10 | 3,707 | 11,802 |
| **Representing** | | | | |
| Properties valued -cost | 8,778 | 8 | - | 8,786 |
| -net deficit | (693) | 2 | - | (691) |
| Valuation | 8,085 | 10 | - | 8,095 |
| Others not valued-cost | - | - | 3,707 | 3,707 |
| | 8,085 | 10 | 3,707 | 11,802 |
| **Depreciation** | | | | |
| At 1 January 2007 | - | - | 2,959 | 2,959 |
| Disposals | - | - | (749) | (749) |
| Charge for year | - | - | 449 | 449 |
| At 31 December 2007 | - | - | 2,659 | 2,659 |
| **Net book value** | | | | |
| 31 December 2007 | 8,085 | 10 | 1,048 | 9,143 |
| 31 December 2006 | 9,585 | 10 | 903 | 10,498 |

## 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

## 9. INVESTMENTS IN GROUP UNDERTAKINGS

| COMPANY | Shares unlisted £000 |
|---|---|
| **Cost** | |
| At 1 January 2007 | 22,971 |
| Disposals | (10) |
| At 31 December 2007 | 22,961 |
| **Amounts provided** | |
| At 1 January 2007 | 12,819 |
| At 31 December 2007 | 12,819 |
| **Net book value** | |
| At 31 December 2007 | 10,142 |
| At 31 December 2006 | 10,152 |

## 10. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The parent company and the group have investments in the following subsidiary undertakings To avoid a statement of excessive length, details of investments which are not significant have been omitted

| 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

The company transferred its investment in Taysec Construction Limited to its parent, Taylor Wimpey plc on 24 July 2008

## 11. INVESTMENTS IN JOINT VENTURES

| | Group shares unlisted £000 | Company shares unlisted £000 |
|---|---|---|
| **Cost and share of reserves** | | |
| At 1 January 2007 | 31 | - |
| At 31 December 2007 | 31 | - |
| **Amounts provided** | | |
| At 1 January 2007 | 31 | - |
| At 31 December 2007 | 31 | - |
| **Net book value** | | |
| At 31 December 2007 | - | - |
| At 31 December 2006 | - | - |

## NOTES TO THE ACCOUNTS

### 11. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

**Additional disclosures for joint ventures**

| | £000 | 2007 £000 | £000 | 2006 £000 |
|---|---|---|---|---|
| **Share of assets** | | | | |
| Share of fixed assets | - | | - | |
| Share of current assets | 159 | | 87 | |
| | | 159 | | 87 |
| **Share of liabilities** | | | | |
| Liabilities due within one year | (159) | | (87) | |
| Liabilities due after more than one year | - | | - | |
| | | (159) | | (87) |
| Share of net assets | | - | | - |

## 12. INVESTMENTS IN ASSOCIATES

| | Group shares unlisted £000 | Company shares unlisted £000 |
|---|---|---|
| **Cost and share of reserves** | | |
| At 1 January 2007 | - | - |
| Additions | 5 | 5 |
| At 31 December 2007 | 5 | 5 |
| **Amounts provided** | | |
| At 1 January 2007 | 4 | - |
| At 31 December 2007 | 4 | - |
| **Net book value** | | |
| At 31 December 2007 | 1 | 5 |
| At 31 December 2006 | - | - |

The Group holds interests in the following principal associates

| | Country of incorporation and principal operations | Percentage of ordinary share capital | Percentage of preference share capital | Nature of business |
|---|---|---|---|---|
| Sheffield LEP Ltd | United Kingdom | 40 00% | N/A | Construction |
| Paradigm (Sheffield BSF) Holdings Ltd | United Kingdom | 40 00% | N/A | Construction |

The undertakings listed above are accounted for as associates on the basis that Taylor Woodrow Construction Limited exercises significant influence

**Additional disclosures for associates**

| | £000 | 2007 £000 | £000 | 2006 £000 |
|---|---|---|---|---|
| **Share of assets** | | | | |
| Share of fixed assets | - | | - | |
| Share of current assets | 10,034 | | - | |
| | | 10,034 | | - |
| **Share of liabilities** | | | | |
| Liabilities due within one year | (39) | | - | |
| Liabilities due after more than one year | (9,994) | | - | |
| | | (10,033) | | - |
| Share of net assets | | 1 | | - |

# NOTES TO THE ACCOUNTS

## 13. OTHER FIXED ASSET INVESTMENTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Shares unlisted £000 | Loans £000 | Total £000 | Shares unlisted £000 | Loans £000 | Total £000 |
| **Cost** | | | | | | |
| At 1 January 2007 | 336 | 3,658 | 3,994 | 336 | 3,658 | 3,994 |
| Disposals | (324) | (3,658) | (3,982) | (324) | (3,658) | (3,982) |
| At 31 December 2007 | 12 | - | 12 | 12 | - | 12 |
| **Amounts provided** | | | | | | |
| At 1 January 2007 | - | 667 | 667 | - | 667 | 667 |
| Applied in the year | - | (667) | (667) | - | (667) | (667) |
| At 31 December 2007 | - | - | - | - | - | - |
| **Net book value** | | | | | | |
| At 31 December 2007 | 12 | - | 12 | 12 | - | 12 |
| At 31 December 2006 | 336 | 2,991 | 3,327 | 336 | 2,991 | 3,327 |

During the year the Group's investments in United Healthcare (Bromley) Group Limited, United Healthcare (South Buckinghamshire Group) Limited and Scotia Water Dalmuir (Holdings) Limited were disposed of

## 14. STOCKS

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Raw materials and consumables | 623 | 419 | - | - |
| Land, development costs and construction thereon | 3,424 | 3,853 | 1 | 1 |
| | 4,047 | 4,272 | 1 | 1 |

# NOTES TO THE ACCOUNTS

## 15. DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| **Receivable within one year** | | | | |
| Trade debtors | 47 | 150 | 47 | 150 |
| Amounts recoverable on contracts | 55,450 | 60,916 | 46,000 | 44,899 |
| Amounts owed by group undertakings | 187,625 | 151,548 | 200,569 | 169,546 |
| Amounts owed by associates | 311 | - | 311 | - |
| Taxation on profits | 507 | 1,794 | - | - |
| Deferred taxation (note 18) | - | 1,764 | 212 | 2,175 |
| Other debtors | 9,517 | 14,536 | 6,454 | 13,294 |
| Prepayments and accrued income | 8,944 | 9,159 | 8,917 | 9,089 |
| **Receivable after one year** | | | | |
| Prepayments and accrued income | 3,079 | 2,495 | 3,079 | 2,518 |
| | 265,480 | 242,362 | 265,589 | 241,671 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Bank loans and overdrafts (note 19) | 3,473 | 3,719 | - | - |
| Payments received on account | 41,739 | 19,709 | 38,905 | 18,989 |
| Trade creditors | 91,989 | 81,896 | 91,944 | 81,851 |
| Amounts owed to group undertakings | 5 | 545 | 807 | 1,355 |
| Amounts owed to joint ventures | 186 | 258 | 345 | 345 |
| Taxation on profits | 1,158 | 1,369 | 1,223 | 224 |
| Deferred taxation (note 18) | 199 | - | - | - |
| Other taxation and social security | 168 | 133 | 107 | 91 |
| Other creditors | 4,298 | 5,328 | 5,310 | 1,689 |
| Accruals and deferred income | 23,930 | 27,977 | 18,622 | 25,650 |
| | 167,145 | 140,934 | 157,263 | 130,194 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Bank loans and overdrafts (note 19) | 1,457 | 2,341 | - | - |
| Amounts owed to group undertakings | 49 | 49 | 10,159 | 10,169 |
| | 1,506 | 2,390 | 10,159 | 10,169 |

## NOTES TO THE ACCOUNTS

### 18. DEFERRED TAXATION

| | Group £000 | Company £000 |
|---|---|---|
| Balance at 1 January 2007 | 1,764 | 2,175 |
| Origination and reversal of timing differences | (153) | (153) |
| Under provision in respect of prior years | (1,810) | (1,810) |
| Balance at 31 December 2007 | (199) | 212 |

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

| | Group 2007 £000 | Group 2006 £000 | Company 2007 £000 | Company 2006 £000 |
|---|---|---|---|---|
| Depreciation in excess of capital allowances | 351 | 587 | 762 | 998 |
| Retirement benefit obligations | (1,178) | (719) | (1,178) | (719) |
| Short term timing differences | 628 | 1,896 | 628 | 1,896 |
| | (199) | 1,764 | 212 | 2,175 |

### 19. BANK LOANS AND OVERDRAFTS

| | Group 2007 £000 | Group 2006 £000 |
|---|---|---|
| Secured at rates from 8 28% to 18 00% (2006 – 8 28% to 20 60%) | 4,930 | 6,060 |
| Repayable - | | |
| Up to one year | 3,473 | 3,719 |
| Between one and two years | - | 123 |
| Between two and five years | 1,457 | 2,218 |
| | 4,930 | 6,060 |

The security for the secured bank loans and overdrafts is short leasehold land and properties held by Taysec Limited, a fully owned subsidiary trading in Ghana

### 20. CALLED UP SHARE CAPITAL

| | 2007 £000 | 2006 £000 |
|---|---|---|
| **Authorised:** | | |
| 100,000,000 (2006 100,000,000) ordinary shares of £1 each | 100,000 | 100,000 |
| **Called up, allotted and fully paid·** | | |
| 64,000,000 (2006 64,000,000) ordinary shares of £1 each | 64,000 | 64,000 |

## 21. REVALUATION RESERVE

| | Group £000 | Company £000 |
|---|---|---|
| At 1 January 2007 | (538) | 1,401 |
| Exchange differences | (21) | - |
| Realised and transferred to profit and loss account | (1,000) | (1,000) |
| At 31 December 2007 | (1,559) | 401 |

## 22. PROFIT AND LOSS ACCOUNT

| | Group £000 | Company £000 |
|---|---|---|
| At 1 January 2007 | 71,501 | 68,721 |
| Exchange differences | 7 | - |
| Share-based payment credit | 282 | 282 |
| Transferred from revaluation reserve | 1,000 | 1,000 |
| Amount charged by parent company on exercise of share options | (1,152) | (1,152) |
| Loss for the year retained | (7,424) | (8,541) |
| At 31 December 2007 | 64,214 | 60,310 |
| **Comprising:** | | |
| The Company | 60,310 | |
| Group undertakings | 4,229 | |
| Joint ventures | (95) | |
| Associates | (230) | |
| | 64,214 | |

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

The retained loss of the company for the financial year was £8,541,000 (2006 retained profit of £9,554,000)

## NOTES TO THE ACCOUNTS

### 23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Group 2007 £000 | Group 2006 £000 |
|---|---|---|
| (Loss)/profit for the financial year | (7,424) | 10,615 |
| Other recognised gains and losses relating to the year (net) | (14) | 1,106 |
| Amount charged by parent company on exercise of share options | (1,152) | (1,784) |
| Share-based payment credit | 282 | 1,302 |
| Net (decrease)/ increase in shareholders' funds | (8,308) | 11,239 |
| Opening shareholders' funds | 134,963 | 123,724 |
| Closing shareholders' funds | 126,655 | 134,963 |

### 24. FINANCIAL COMMITMENTS

Annual commitments under non cancellable operating leases are as follows

**Group**

| | Land and buildings 2007 £000 | Other 2007 £000 | Land and buildings 2006 £000 | Other 2006 £000 |
|---|---|---|---|---|
| **Non cancellable operating lease commitments** | | | | |
| Leases which expire | | | | |
| Within one year | 29 | 245 | 64 | 322 |
| Within two to five years | 307 | 1,578 | 198 | 1,563 |
| After five years | 773 | - | 612 | - |
| | 1,109 | 1,823 | 874 | 1,885 |

Annual commitments under non cancellable operating leases are as follows

**Company**

| | Land and buildings 2007 £000 | Other 2007 £000 | Land and buildings 2006 £000 | Other 2006 £000 |
|---|---|---|---|---|
| **Non cancellable operating lease commitments** | | | | |
| Leases which expire | | | | |
| Within one year | 29 | 245 | 64 | 322 |
| Within two to five years | 307 | 1,578 | 198 | 1,563 |
| After five years | 773 | - | 612 | - |
| | 1,109 | 1,823 | 874 | 1,885 |

## 25. 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 (2006 - £nil)

In addition, the Group is subject to certain claims in respect of completed contracts The directors believe that adequate provision has been made in respect of such items

## 26. 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 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 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 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%

There will be no re-testing of the performance condition

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 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 at no cost, provided that Taylor Wimpey plc Group EPS shall have grown by at least 3% compound in real terms during the three prior financial years

## 27. 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 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 tax year of their pre-tax earned income in the purchase of partnership shares of Taylor Wimpey 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

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | **Options & conditional share awards** | **Weighted average exercise price (in £)** | **Options & conditional share awards** | **Weighted average exercise price (in £)** |
| Outstanding at beginning of period | 4,092,730 | 1 50 | 5,614,756 | 1 59 |
| Granted during the period | 886,754 | 1 36 | 1,061,910 | 1 46 |
| Lapsed during the period | (175,753) | 0 91 | (575,903) | 1 14 |
| Exercised during the period | (908,857) | 0 98 | (2,008,033) | 1 84 |
| Outstanding at the end of the period | 3,894,874 | 1 62 | 4,092,730 | 1 50 |
| Exercisable at the end of the period | 1,246,592 | 2 06 | 601,704 | 2 04 |

The weighted average share price at the date of exercise for share options exercised during the period was £3 30 (2006 £3 74)

The options outstanding at 31 December 2007 had a range of exercise prices from £nil to £4 57 (2006 £nil to £2 79) and a weighted average remaining contractual life of 4 8 years (2006 4 4 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

| | 2007 | 2006 |
|---|---|---|
| Weighted average share price | £2 81 | £3 74 |
| Weighted average exercise price | £2 65 | £1 02 |
| Expected volatility | 30% | 27 0%-29 3% |
| Expected life | 3/5 years | 3/5 years |
| Risk free rate | 5 1% | 4 5%-4 8% |
| Expected dividend yield | 3 6% | 4 1% |

The weighted average fair value of share options granted during the year is £0 69 (2006 £2 56)

## 28. 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

| | 2007 | 2006 |
|---|---|---|
| Weighted average share price | £4 92 | £3 82 |
| Weighted average exercise price | £nil | £nil |
| Expected volatility | 26% | 27% |
| Expected life | 3 years | 3 years |
| Risk free rate | 5 4% | 4 5% |
| Expected dividend yield | 3 6% | 4 1% |

The weighted average fair value of share options granted during the year is £4 35 (2006 £1 01)

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 £1,152,000 (2006 £1,302,000) related to equity-settled share based payment transactions

## 29. 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

## 30. EVENTS AFTER THE BALANCE SHEET DATE

On 16 July 2008 the Ghana mining activities were sold for approximately US$20M The bulk of the sales proceeds related to the plant and stock of plant spares that were used in the mining business The Ghana construction activities were transferred to Taylor Wimpey plc on 24 July 2008

On 4 September 2008 the business was re-registered as an unlimited company by its sole member, Taylor Wimpey plc

On 5 September 2008 the company paid a dividend of £66,859,000 00 to Taylor Wimpey plc

On 9 September 2008 a special resolution was passed to reduce the share capital to £10,028,000 and a dividend of £53,972,000 was paid to Taylor Wimpey plc

On 9 September 2008 the entire share capital of Taylor Woodrow Construction was acquired by Vinci plc

On 10 September 2008 the directors approved the issue of 15,000,000 £1 ordinary shares at par to Vinci plc

## 31. PARENT COMPANY

On 9 September 2008 the entire share capital of Taylor Woodrow Construction was acquired by Vinci plc The ultimate parent undertaking of Vinci plc is VINCI, a company incorporated in France This is the parent undertaking of Vinci Construction, the smallest Group of which the company is a member and for which Group accounts are prepared

Before 9 September 2008 the company's immediate and ultimate parent and controlling company was Taylor Wimpey plc, which is incorporated in Great Britain

Before 9 September 2008 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, Maindy, Cardiff CF14 3UZ