Company Registration No. 3213873

TAYLOR WOODROW CONSTRUCTION
(FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

Report and Financial Statements

31 December 2008

TAYLOR WOODROW CONSTRUCTION
(FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

REPORT AND FINANCIAL STATEMENTS 2008

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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 2008.

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE PROSPECTS

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

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.

At the beginning of 2009, VINCI PLC reorganised its contracting activities by consolidating its operations in the name of VINCI Construction UK Limited. The Company comprises six divisions: building, civil engineering, air, facilities, technology and regional contracting. The future business of Taylor Woodrow Construction will operate through VINCI Construction UK Limited with its name and logo retained within each of the divisions.

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 4 of the directors report.

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

OPERATIONS

Turnover increased by 14% to £688.3m (2007: £606.0m). Following the acquisition by VINCI PLC in September 2008 all contracts were re-assessed and adjusted to bring them into line with VINCI PLC Group accounting practices which has resulted in the losses shown in these accounts. This has had no effect on the cash or order book position, with the year end order book standing at £761m (2007: £1,201m).

The company, under its new ownership, has gained financial stability with the strength of the balance sheet of VINCI PLC.

Building

The building business in 2008 operated 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 £395m (2007: £379m). At the year end the order book was £121m (2007: £360m).

DIRECTORS' REPORT (CONTINUED)

OPERATIONS (CONTINUED)

Building (Continued)

Major building projects include the following:

Tesco, Cheetham Hill

Taylor Woodrow is one of the Tesco framework suppliers for main contract building services.

Tesco at Cheetham Hill, North Manchester is the first environmental format store in the UK for which Taylor Woodrow is the design and build contractor. Environmental features of the £19.5m contract include a sustainable cladding system and hybrid timber frame with a Combined Heating and Power Unit (CHP) running on vegetable oil and CO2 refrigeration.

The Mall, Blackburn

Taylor Woodrow is underway with a £34m contract to extend and refurbish the Mall shopping centre in Blackburn. The Mall is the UK's leading community shopping centre brand with 20 Malls located at the heart of local communities throughout the country. The redevelopment will include the creation of additional retail space across three levels with a two-storey glazed atrium as the centre's focal point.

Circle Bath Hospital

Taylor Woodrow has begun construction of an innovative new hospital near Bath, designed by world-renowned architects Foster and Partners. The design is set to achieve the highest national rating for hospital sustainable design. In line with minimising the environmental impact of construction, all the hardcore and topsoil that has been excavated so far is being re-used to backfill against the building and to create the landscaping once the hospital is complete.

It is expected that the hospital will serve some 600 patients per week, providing a wide range of non-emergency or 'elective' procedures treating both private and National Health Service patients.

Heathrow Terminal 4

Taylor Woodrow was involved in the original construction of Heathrow's Terminal 4 and is currently working on the £100m project to extend the check-in area. The 6,000 sq metre check-in area will open in late 2009 and forms part of the £200m project to transform the Terminal. The contract includes a state of the art new baggage system and renovated piers and departure lounges.

Infrastructure and Rail

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

Turnover for the financial year was £157m (2007: £103m). At the year end the order book was £110m (2007: £199m).

DIRECTORS' REPORT (CONTINUED)

OPERATIONS (CONTINUED)

Infrastructure and Rail (Continued)

Major contracts include the following:

Docklands Light Railway

Taylor Woodrow is currently working to increase capacity of the Docklands Light Railway to enable the trains to operate with an additional carriage in order to accommodate increasing traffic and provide greater passenger comfort, ready for the 2012 Olympics.

Kings Cross

A £153m contract was awarded to Taylor Woodrow by Network Rail for the refurbishment of the existing Grade I Listed buildings adjacent to platform 8 at Kings Cross Station and the provision of a new concourse including a bespoke diagrid steel roof structure with glazed coverings. This has been secured in addition to the ongoing £28m design and build contract which comprises a basement service yard and access ramp.

Baker Street

Taylor Woodrow secured a £26.3m contract with London Underground for the provision of step free access to Baker Street underground station. The contract includes the provision of over bridges within the station, the installation of lifts and the conversion of the existing Marylebone underpass into a dedicated London Underground access route.

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 Company under the Private Finance Initiative (PFI) and as such represents a secure long term income stream.

Turnover for the financial year was £126m (2007: £117m). At the year end the order book was £529m (2007: £619m).

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 (2007: £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 New Hospitals consortium, led by Taylor Woodrow and Innisfree, is currently working on one of the largest PFI projects of the last 10 years. In 2008 the scheme, for St Helens and Knowsley NHS Trust, delivered the £75m St Helens Hospital to the local community, with work progressing well on the £200m Whiston Hospital. Taylor Woodrow has the 40 year contract to manage these facilities.

Paradigm (Sheffield BSF) Ltd – a 40% investment totalling £5,040 to date with a commitment to increase the level of investment by £2.5m on completion of construction in 2009. Taylor Woodrow is leading Paradigm, the consortium which has been appointed to deliver the £320m Building Schools for the Future (BSF) programme in Sheffield.

Four new schools have so far been opened as part of the programme. The first had a contract value of £17.5m and was opened in time for the new school term in September 2008. The three recently completed schools cost a total of £50m to design and construct and will be managed by Taylor Woodrow under a PFI contract for a period of 25 years.

Pensions

The company was a member of Defined Benefit and Defined Contribution pension schemes. Further details are included in note 24 of the accounts.

The Directors of Taylor Wimpey plc allocated £9m of an additional annual contribution of £20m into the Defined Benefit pension scheme to Taylor Woodrow Construction. This was paid in December 2007 in respect of the year beginning 1 December 2007. A sum of £8.25m has been charged to cost of sales in the profit and loss account disclosed for the year ended 31 December 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

People

Taylor Woodrow Construction 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.

Customers

Taylor Woodrow Construction 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.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Financial

The principal financial risks faced by the company 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 company manages these risks using specific controls. The company 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.

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, and similarly from VINCI PLC after the company's acquisition.

GOING CONCERN

The company, parent and ultimate parent has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and construction activities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Although the company incurred a loss in the year and now has net liabilities this largely reflects the change of ownership in the year, whereby share capital and dividends were paid to the former owner. The company has historically operated its business on minimal levels of working capital due to the funding profile of its long term contracts and has significant intercompany balances due from its immediate parent undertaking which are available to the business to manage its working capital requirements.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in the profit and loss account on page 10 with a loss after tax in the year of £23,929,000 (2007: loss after tax of £8,541,000). An interim dividend of £120,832,000 was paid during the year by the directors (2007: £nil). The directors recommend that no final dividend is paid in respect of the year ended 31 December 2008 (2007: £nil).

DIRECTORS

Mr B.J. Morahan was a director for the whole of the financial year. 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. Mr R.I. Sykes and G.H. Restall resigned as directors on 4 November 2008 and 30 November 2008, respectively. Mr T. Peach resigned as a director on 5 December 2008. Messrs C.G. Cocking, A.K. Raikes and P. Tuplin were appointed as directors on 9 February 2009. Mr B. J. Morahan resigned as a director on 28 February 2009.

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 parent company during the year under review.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS

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

CHARITABLE DONATIONS

During the year the company donated £14,114 (2007: £13,180) to various charities in the UK.

RESEARCH AND DEVELOPMENT

The company 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 Taylor Woodrow Construction companies through the medium of formal employee consultation and by regularly publishing information and other material on matters affecting the performance of the company. Before acquisition by VINCI PLC opportunities were given for employees to participate in certain share option schemes operated by Taylor Wimpey plc. These schemes ceased on the acquisition of Taylor Woodrow Construction by VINCI PLC. Following the acquisition by VINCI PLC the company continues to communicate to its employees through regular meetings, personal appraisals and e-mail communications.

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 company is determined solely on the basis of personal merit, effective performance and business requirements.

POLICY ON PAYMENT OF SUPPLIERS

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

Trade creditor days for the company for the year ended 31 December 2008 were 55 days (2007 – 51 days), based on the ratio of trade creditors excluding sub contract retentions and claims of £11,797,351 (2007: £11,798,295) at the end of the year to the amounts invoiced during the year by trade creditors.

DIRECTORS' REPORT (CONTINUED)

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 LLP have expressed their willingness to continue in office as auditors.

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

A.M. Comba
Secretary
23 March 2009

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 of the profit or loss of the company 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 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 company financial statements (the "financial statements") of Taylor Woodrow Construction for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Profits and Losses, the Balance Sheet and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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 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 company's affairs as at 31 December 2008 and of the company'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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
23 March 2009

TAYLOR WOODROW CONSTRUCTION
(FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	£000	2008 £000	£000	2007 £000
TURNOVER – continuing operations	1, 2		688,292		605,979
Cost of sales	2		(688,185)		(572,877)
Gross profit	2		107		33,102
Administrative expenses	2		(39,756)		(47,618)
OPERATING LOSS	3		(39,649)		(14,516)
Income from other fixed asset investments			640		-
Profit on disposal of investments and fixed assets			5,273		5,520
Amounts written off investments			-		(3,898)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST			(33,736)		(12,894)
Interest receivable - Group		8,713		10,676	
- External		368	9,081	687	11,363
Interest payable	4		(100)		(30)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1, 2		(24,755)		(1,561)
Tax credit/(charge) on loss on ordinary activities	6		826		(6,980)
LOSS FOR THE FINANCIAL YEAR	20, 21		(23,929)		(8,541)

TAYLOR WOODROW CONSTRUCTION
(FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £000	2007 £000
Loss for the financial year	(23,929)	(8,541)
Unrealised surplus on revaluation of properties	174	-
Total recognised gains and losses relating to the year	(23,755)	(8,541)

STATEMENT OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £000	2007 £000
Reported loss and historical cost loss on ordinary activities before taxation	(24,755)	(1,561)
Historical cost loss for the year retained after taxation and dividends	(144,761)	(8,541)

TAYLOR WOODROW CONSTRUCTION
(FORMERLY TAYLOR WOODROW CONSTRUCTION LIMITED)

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 £000	2007 £000
FIXED ASSETS			
Tangible assets	7	7,990	9,143
Investments			
Group undertakings	9	4,125	10,142
Associates	11	5	5
Other fixed asset investments	12	12	12
		12,132	19,302
CURRENT ASSETS			
Stocks	13	-	1
Debtors	14	166,192	265,589
Cash at bank and in hand		12,631	7,241
		178,823	272,831
CREDITORS: amounts falling due within one year	15	(191,614)	(157,263)
NET CURRENT(LIABILITIES)/ ASSETS		(12,791)	115,568
TOTAL ASSETS LESS CURRENT LIABILITIES		(659)	134,870
CREDITORS: amounts falling due after more than one year	16	(4,094)	(10,159)
NET (LIABILITIES)/ASSETS		(4,753)	124,711
CAPITAL AND RESERVES			
Called up share capital	18	25,028	64,000
Revaluation reserve	19	575	401
Profit and loss account	20	(30,356)	60,310
SHAREHOLDERS' FUNDS		(4,753)	124,711

These financial statements were approved by the Board of Directors on 23 March 2009.

Signed on behalf of the Board of Directors

A.M. Comba

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 have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention modified to include the revaluation of certain properties.

The accounts are prepared on the going concern basis. Further details can be found in the directors report on page 5.

Cash flow statement

The company has taken advantage of the exemption provided under Financial Reporting Standard 1 (Revised 1996) not to provide a cash flow statement, as it is a wholly owned subsidiary undertaking.

Group accounts

The financial statements present information about the company as an individual undertaking and not as a group. The company is exempt from the obligations to prepare and deliver group accounts under section 228 Companies Act 1985, as it is ultimately a wholly owned subsidiary undertaking of VINCI PLC and is included in the ultimate parent's consolidated accounts.

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. 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. 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 5 years. Provision is made for any impairment.

NOTES TO THE ACCOUNTS

1. ACCOUNTING DEFINITIONS AND POLICIES (CONTINUED)

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.

Investments

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

Group undertakings

Investments in group undertakings are included in the 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.

Foreign currencies

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

Employee benefits

Pensions

Defined contribution plans:

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans:

The Company's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses are recognised in the balance sheet.

Share-based payments

The company has applied the requirements of FRS 20 "Share-based payments". The company issued 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.

Post retirement benefits other than pensions

Before acquisition by VINCI PLC the company's future contribution to the cost of health insurance for retired long service UK employees had been accrued in the accounts of Taylor Woodrow Developments Limited, which paid 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.

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.

Taxation

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

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

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

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

2. SEGMENTAL ANALYSIS

	2008 £000	2007 £000
TURNOVER		
By Activity		
Construction	688,292	605,979
By Market		
Africa	4,385	1,770
Europe and Rest of the World	8,380	8,731
Total overseas	12,765	10,501
United Kingdom	675,527	595,478
	688,292	605,979
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		
By Activity		
Construction	(24,755)	(1,561)
By Market		
Africa	229	(15,146)
Europe and Rest of the World	836	624
Total overseas	1,065	(14,522)
United Kingdom	(25,820)	12,961
	(24,755)	(1,561)

NOTES TO THE ACCOUNTS

3. OPERATING LOSS

	2008 £000	2007 £000
Operating loss is after charging:		
Amount owed from subsidiary written off	-	16,000
Restructuring costs	4,414	-
Depreciation of plant	525	449
Impairment of tangible fixed assets:- freehold	1,635	-
Research and development	632	889
Plant hire	9,702	8,833
Rentals under operating leases:		
- Hire of plant and machinery	1,746	1,910
- Other operating leases	2,685	1,183

Analysis of auditors remuneration is as follows:

Fees payable to the company's auditors for the audit of the company's accounts	117	79
Corporate finance services	160	-
Other services pursuant to restructuring-	35	-
Overseas corporate advice	-	113
Other	9	5
Total non-audit fees	204	118

4. INTEREST PAYABLE

	2008 £000	2007 £000
Foreign currency exchange	86	29
Other	14	1
	100	30

NOTES TO THE ACCOUNTS

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The costs of directors have been charged in respect of services rendered in their capacity as directors of the company as follows:

	2008 £000	2007 £000
Directors' emoluments		
Aggregate emoluments	1,216	1,194
Compensation for loss of office	539	81
Highest paid director	381	312
Accrued pension of the highest paid director at the year end	-	-

	No	No
Number of directors who exercised share options in the year	-	2

The highest paid director did not exercise share options during the year, having exercised share options in the preceding year.

Number of directors who accrued retirement benefits under a defined benefit pension scheme	-	-

Messrs A.M Comba and D.A.L. Joyce received no remuneration in respect of their duties as directors of the company.

The following average numbers of employees have rendered services to the company:

	2008 No	2007 No
Average number of persons employed (including directors)		
United Kingdom	1,562	1,431
Overseas	79	10
	1,641	1,441

The costs of employees are as follows:

	2008 £000	2007 £000
Staff costs during the year (including directors)		
Wages and salaries	68,775	61,993
Social security costs	7,547	6,844
Pension costs	4,187	3,682
	80,509	72,519

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

Previously to 1 June 2008 all contracts with employees charged to the company were in the name of another Taylor Wimpey Group company. On 1 June 2008 all contracts of employment were transferred to Taylor Woodrow Construction.

NOTES TO THE ACCOUNTS

6. TAX (CREDIT)/CHARGE ON LOSS ON ORDINARY ACTIVITIES

	2008 £000	2007 £000
Current Taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 28.5% (2007 - 30%)	-	3,297
Under/(over) provision in respect of prior years	-	344
Overseas tax suffered:		
Overseas tax charge for the year	-	210
Under provision in respect of prior years	276	1,166
Total current taxation	276	5,017
Deferred taxation		
Origination and reversal of timing differences	(1,550)	153
Under provision in respect of prior years	448	1,810
Tax (credit)/charge on loss on ordinary activities	(826)	6,980

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28.5% (2007- 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:

	2008 £000	2007 £000
Loss on ordinary activities before tax	(24,755)	(1,561)
Tax credit on loss on ordinary activities before tax at standard rate	(7,055)	(468)
Factors affecting charge for the year:		
Under provision in respect of prior years	276	1,510
Permanent disallowables	3,892	257
Non -taxable income	-	(1,708)
Overseas income receivable	-	210
Depreciation for the period in excess of capital allowances	(157)	(115)
Short term timing differences	1,726	1,780
Pension provision	-	(607)
Unutilised current year losses	1,412	4,200
Effect of rate change	182	(42)
Current tax charge for the year	276	5,017

NOTES TO THE ACCOUNTS

7. TANGIBLE FIXED ASSETS

	Freehold £000	Properties Long Leasehold £000	Plant £000	Total £000
Cost or valuation				
At 1 January 2008	8,085	10	3,707	11,802
Additions	-	-	1,885	1,885
Disposals	-	-	(1,747)	(1,747)
Net deficit on valuation	(1,461)	-	-	(1,461)
At 31 December 2008	6,624	10	3,845	10,479
Representing				
Properties valued -cost	8,778	8	-	8,786
-net (deficit)/surplus	(2,154)	2	-	(2,152)
Valuation	6,624	10	-	6,634
Others not valued-cost	-	-	3,845	3,845
	6,624	10	3,845	10,479
Depreciation				
At 1 January 2008	-	-	2,659	2,659
Disposals	-	-	(695)	(695)
Charge for year	-	-	525	525
At 31 December 2008	-	-	2,489	2,489
Net book value				
31 December 2008	6,624	10	1,356	7,990
31 December 2007	8,085	10	1,048	9,143

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.

The directors have reviewed the valuation of the company's freehold properties and after considering current market conditions have re-valued them accordingly.

NOTES TO THE ACCOUNTS

9. INVESTMENTS IN GROUP UNDERTAKINGS

	Shares unlisted £000
Cost	
At 1 January 2008	22,961
Additions	4,421
Disposals	(21,201)
At 31 December 2008	6,181
Amounts provided	
At 1 January 2008	12,819
Applied in the year	(10,763)
At 31 December 2008	2,056
Net book value	
At 31 December 2008	4,125
At 31 December 2007	10,142

10. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The parent company has investments in the following major 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 rincipal operations	Proportion of ordinary shares held %
Taylor Woodrow Construction Southern Limited	United Kingdom	100
Taylor Woodrow Management Limited	United Kingdom	100
Taylor Woodrow Civil Engineering Limited	United Kingdom	100
Taylor Woodrow Construction (Isle of Man) Limited	United Kingdom	100
Taylor Woodrow International Projects Limited	United Kingdom	100

The principal activity of all subsidiaries is construction.

Until 24 July 2008 the company held 100% of the equity share capital of Taysec Limited, a company incorporated in Ghana.

On 16 July 2008 the mining activities of Taysec Construction Limited were sold for approximately US$20,000,000. The bulk of the sales proceeds related to the plant and stock of plant spares that were used in the mining business. The company transferred its investment in Taysec Construction Limited to its then parent, Taylor Wimpey plc on 24 July 2008.

NOTES TO THE ACCOUNTS

11. INVESTMENTS IN ASSOCIATES

	Shares unlisted £000
Cost and share of reserves	
At 1 January 2008	5
At 31 December 2008	5
Amounts provided	
At 1 January 2008	-
At 31 December 2008	-
Net book value	
At 31 December 2008	5
At 31 December 2007	5

The company 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 exercises significant influence.

12. OTHER FIXED ASSET INVESTMENTS

	Shares unlisted £000	Loans £000	Total £000
Cost			
At 1 January 2008	12	-	12
At 31 December 2008	12	-	12

NOTES TO THE ACCOUNTS

13. STOCKS

	2008 £000	2007 £000
Land, development costs and construction thereon	-	1
	-	1

14. DEBTORS

	2008 £000	2007 £000
Due within one year		
Trade debtors	-	47
Amounts recoverable on contracts	40,199	46,000
Amounts owed by group undertakings	110,248	200,569
Amounts owed by associates	311	311
Taxation on profits	642	-
Deferred taxation (note 17)	1,314	212
Other debtors	9,306	6,454
Prepayments and accrued income	1,173	8,917
Due after one year		
Prepayments and accrued income	2,999	3,079
	166,192	265,589

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Payments received on account	22,213	38,905
Trade creditors	115,439	91,944
Amounts owed to group undertakings	3,648	807
Amounts owed to joint ventures	318	345
Taxation on profits	-	1,223
Other taxation and social security	2,643	107
Other creditors	626	5,310
Accruals and deferred income	46,727	18,622
	191,614	157,263

NOTES TO THE ACCOUNTS

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2008 £000	2007 £000
Amounts owed to group undertakings	4,094	10,159
	4,094	10,159

17. DEFERRED TAXATION

	£000
Balance at 1 January 2008	212
Origination and reversal of timing differences	1,550
Under provision in respect of prior years	(448)
Balance at 31 December 2008	1,314

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

	2008 £000	2007 £000
Depreciation in excess of capital allowances	611	762
Retirement benefit obligations	566	(1,178)
Short term timing differences	137	628
	1,314	212

18. CALLED UP SHARE CAPITAL

	2008 £000	2007 £000
Authorised:		
100,000,000 (2007: 100,000,000) ordinary shares of £1 each	100,000	100,000

Called up, allotted and fully paid:	**£000**
At 31 December 2007 64,000,000 ordinary shares of £1 each	64,000
53,972,000 ordinary shares of £1 each repaid to members	(53,972)
15,000,000 ordinary shares of £1 each issued to members	15,000
At 31 December 2008 25,028,000 ordinary shares of £1 each	25,028

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.

NOTES TO THE ACCOUNTS

19. REVALUATION RESERVE

	£000
At 1 January 2008	401
Net surplus on property valuations	174
At 31 December 2008	575

20. PROFIT AND LOSS ACCOUNT

	£000
At 1 January 2008	60,310
Share capital reduction	53,972
Share-based payment credit	428
Amount charged by parent company on exercise of share options	(305)
Loss retained for the year	(23,929)
Equity dividend	(120,832)
At 31 December 2008	(30,356)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £000	2007 £000
Loss for the financial year	(23,929)	(8,541)
Equity dividend paid	(120,832)	-
Equity issued to parent company	15,000	-
Other recognised gains and losses relating to the year (net)	174	-
Amount charged by parent company on exercise of share options	(305)	(1,152)
Share-based payment credit	428	282
Net decrease in shareholders' funds	(129,464)	(9,411)
Opening shareholders' funds	124,711	134,122
Closing shareholders' (deficit)/funds	(4,753)	124,711

NOTES TO THE ACCOUNTS

22. FINANCIAL COMMITMENTS

Annual commitments under non cancellable operating leases are as follows:

	Land and buildings 2008 £000	Other 2008 £000	Land and buildings 2007 £000	Other 2007 £000
Non cancellable operating lease commitments				
Leases which expire:				
Within one year	167	307	29	245
Within two to five years	364	2,823	307	1,578
After five years	869	-	773	-
	1,400	3,130	1,109	1,823

23. CONTINGENT LIABILITIES

The company has entered into performance bonds and agreements in the normal course of business.

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

Joint banking facilities available to the company, its parent undertaking and fellow subsidiary undertakings are secured by cross guarantee. At 31 December 2008 the net Group bank borrowings were £nil (2007 £nil).

24. EMPLOYEE BENEFITS

Pensions

Taylor Woodrow Construction was a member 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 company. With the exception of the TWNHSPS the Defined Benefit schemes were closed to new entrants and with effect from 30 November 2006 to future pension accrual. The company's exposure to these schemes was settled on 13 August 2008, the exception being the TWNHSPS where the company has continuing commitments.

An alternative Defined Contribution arrangement, the Taylor Woodrow Personal Choice Plan, was 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 TWNHSPS commenced in December 2003. The Actuary has completed his latest valuation with an effective date of 31 December 2008. This disclosed that the market value of the scheme's assets at that date was £1.4m and that the value of the assets was sufficient to cover 88% 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 22.2% of pensionable earnings.

24. EMPLOYEE BENEFITS (CONTINUED)

Share based payments

Equity settled share-based payment arrangements in existence during the year, until disposal of the company by Taylor Wimpey plc, were as follows:

Executive share-based reward

The Performance Share Plan

Conditional awards of shares were made to senior employees entitling them to receive shares of Taylor Wimpey plc at no direct cost. Vesting occurred on the third anniversary of the award, provided that the performance criterion was fulfilled. There was a limit for awards of 200% of basic salary per annum.

The plan contained two elements:

Basic awards – restricted to a current maximum of 75% of basic salary; and

Enhanced awards – restricted to a maximum of 50% of basic salary.

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

The vesting criteria for these awards were as follows:

Basic Awards

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

Taylor Wimpey Group EPS outperformed the RPI by 6% per annum compound over three years – 100% of awards vest.

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

There was 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 was no re-testing of the performance condition.

Deferred Bonus Plan Matching Award

Certain senior employees had 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 remained undrawn for a period of three years participants would be awarded the same number of shares in Taylor Wimpey plc at no cost, provided that Taylor Wimpey plc Group EPS should have grown by at least 3% compound in real terms during the three prior financial years.

24. EMPLOYEE BENEFITS (CONTINUED)

All employees share based reward

Sharesave Plan

All United Kingdom employees with at least three months service could 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 were 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, attracted an award of free matching shares. Participants received one free matching share for each partnership share purchased.

The rules for all of the share-based payment arrangements referred to above provided 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.

Following the disposal of Taylor Woodrow Construction by Taylor Wimpey plc on 9 September 2008 all the unvested options held by Taylor Woodrow Construction employees vested.

	2008		2007	
	Options & conditional share awards	**Weighted average exercise price (in £)**	**Options & conditional share awards**	**Weighted average exercise price (in £)**
Outstanding at beginning of period	3,894,874	1.62	4,092,730	1.50
Granted during the period	4,057,762	1.23	886,754	1.36
Lapsed during the period	(7,952,636)	1.54	(175,753)	0.91
Exercised during the period	-	-	(908,857)	0.98
Outstanding at the end of the period	-	-	3,894,874	1.62
Exercisable at the end of the period	-	-	1,246,592	2.06

The weighted average share price at the date of exercise for share options exercised during 2007 was £3.30.

The options outstanding at 31 December 2007 had a range of exercise prices from £nil to £4.57 and a weighted average remaining contractual life of 4.8 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.

	2008	2007
Weighted average share price	£0.38	£2.81
Weighted average exercise price	£0.69	£2.65
Expected volatility	37%	30%
Expected life	3/5 years	3/5 years
Risk free rate	4.4%	5.1%
Expected dividend yield	0.5%	3.6%

The weighted average fair value of share options granted during the year is £0.06 (2007: £0.69).

24. EMPLOYEE BENEFITS (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.

	2008	2007
Weighted average share price	£0.69	£4.92
Weighted average exercise price	£nil	£nil
Expected volatility	40%	26%
Expected life	3 years	3 years
Risk free rate	4.3%	5.4%
Expected dividend yield	0.9%	3.6%

The weighted average fair value of share options granted during the year is £0.33 (2007: £4.35).

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 £428,000 (2007: £1,152,000) related to equity-settled share based payment transactions.

25. 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.

26. PARENT COMPANY

Prior to 9 September 2008 any reference made with respect to group transactions, refers to the Taylor Wimpey plc group of companies. Post 9 September 2008 such references should be considered as referring to the VINCI group of companies.

On 9 September 2008 the entire share capital of Taylor Woodrow Construction was acquired by VINCI PLC, incorporated in the United Kingdom. The ultimate controlling party is VINCI, a company incorporated in France which also heads the largest group in which the results of the Company are consolidated. The consolidated accounts of this group can be obtained from the company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France. The smallest group in which they are consolidated is that headed by VINCI PLC. Copies of VINCI PLC's accounts may be obtained from the Company Secretary, VINCI PLC, Astral House, Imperial Way, Watford, Hertfordshire, WD24 4WW.