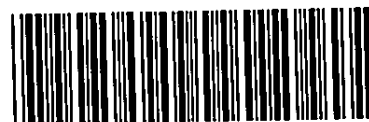


Company Registration Number 5156789
Registered in England and Wales

TAYLOR WOODROW EUROPE
DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 2007

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TAYLOR WOODROW EUROPE
DIRECTORS' REPORT AND ACCOUNTS 2007

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TAYLOR WOODROW EUROPE

REPORT OF THE DIRECTORS' TO THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2007

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

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 246 (4) of the Companies Act 1985

Activities and review of business

The company's income represents interest on loans

Results and Dividends

The company's profit for the period is set out in the profit and loss account on page 5. An interim dividend of £nil was paid during the year (2006 £298,812). No further dividend is proposed for 2007 (2006 nil).

Directors

The following held office during the period under review and to date

Mr S R Impey

Mr J C Murrin (resigned 2 May 2008)

Mr M R Kelly (appointed 5 September 2008)

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/she ought to have taken as a director in order to make himself/herself 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, Chartered Accountants, have confirmed their willingness to continue in office as auditors and an elective resolution dispensing with the need to re-appoint auditors on an annual basis has been passed

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


S R Impey
Director

TAYLOR WOODROW EUROPE

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

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 REPORT OF THE AUDITORS TO THE MEMBERS OF

TAYLOR WOODROW EUROPE

We have audited the financial statements of Taylor Woodrow Europe for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 10. 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.

**INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF
TAYLOR WOODROW EUROPE**

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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Emphasis of matter – going concern and valuation of amounts due from group companies

Without qualifying our opinion, we draw attention to Note 1a to the financial statements, which indicates that the company is reliant on the recoverability of balances owing from Taylor Wimpey plc and a fellow subsidiary of Taylor Wimpey plc to fund its own operations. Taylor Wimpey plc, whilst currently in full compliance with all its debt covenants, is likely to breach its interest cover covenants when tested for the full year to 31 December 2008. If such a covenant breach were to occur the lenders would be able to request early repayment of all outstanding borrowings and cancel their commitments. As a result, the Group has entered into discussions with the relevant lenders to agree amended terms on the assumption that sufficient financing based on projected trading will continue to be provided by its lenders to enable the Group to meet its liabilities as they fall due.

This position, along with other matters as set forth in Note 1a, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and therefore company's ability to continue as a going concern and the recoverability of amounts due from group companies.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, UK
31 October 2008

TAYLOR WOODROW EUROPE
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year to 31 December 2007 £000	Year to 31 December 2006 £000
CONTINUING OPERATIONS			
Interest receivable from Group undertaking		<u>9,160</u>	<u>1,736</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	9,160	1,736
Tax on profit on ordinary activities	3	<u>(2,748)</u>	<u>(521)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8	<u>6,412</u>	<u>1,215</u>

There are no recognised gains or losses for either period other than those shown above, consequently no statement of total recognised gains or losses is presented

TAYLOR WOODROW EUROPE
BALANCE SHEET AT 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
CURRENT ASSETS			
Debtors	5	171,621	151,171
Cash at bank		<u>1</u>	<u>1</u>
		171,622	151,172
Creditors amounts falling due within one year	6	(1,775)	(100,237)
NET CURRENT ASSETS		<u>169,847</u>	<u>50,935</u>
CAPITAL AND RESERVES			
Called up ordinary share capital	7	162,320	49,820
Profit and loss account	8	7,527	1,115
SHAREHOLDERS' FUNDS	9	<u>169,847</u>	<u>50,935</u>

The financial statements were approved by the Board of Directors on 30 October 2008

Signed on behalf of the Board of Directors


S R Impey
Director

TAYLOR WOODROW EUROPE

NOTES ON THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

1. Accounting definitions and policies

The following accounting definitions and policies have been used consistently unless otherwise stated in dealing with items which are considered material

(a) Basis of preparation

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The financial statements have been prepared on a going concern basis

The company is reliant on the recoverability of balances owing from Taylor Wimpey plc and a fellow subsidiary of Taylor Wimpey plc to fund its own operations, see Note 5

The Taylor Wimpey plc half-yearly report for the six months ended 30 June 2008 was issued on 26 August 2008 and explained that

The Taylor Wimpey plc group is currently in full compliance with the financial covenants contained in all of its borrowing agreements. However, as a consequence of the rapid decline in the UK housing market a breach of the Group's interest cover covenants is likely when tested for the full year to 31 December 2008 and the Group has therefore entered discussions with the relevant lenders to agree amended terms. If such a covenant breach were to occur then the lenders would be able to request early repayment of all outstanding borrowings and cancel their commitments.

If the Group is not able to agree the required amendments, on terms which accommodate management's latest forecasts, and in the absence of other funding alternatives, the Group would be unable to repay the borrowings. As a result, there exists a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern such that the Group could be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, assets may be realised at significantly less than book value and additional liabilities may arise.

In the Group directors' view, constructive discussions with the relevant lenders are ongoing and the Group directors are not aware of any issues which would prevent the required amendments from being agreed.

Based on these discussions and the projected trading for the Group, the Group directors are of the view that a satisfactory conclusion to the negotiations will be reached and are therefore confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

The Group's directors have confirmed to the Company's directors that this is still the case. Based on this, the Company's directors continue to adopt the going concern basis in preparing the financial statements.

TAYLOR WOODROW EUROPE

NOTES ON THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

(CONTINUED)

However, the company's dependence on Taylor Wimpey plc for its continued funding and the uncertainty relating to Taylor Wimpey plc, referred to above, represents a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern such that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

The failure of Taylor Wimpey to conclude these negotiations by the date of approval of these accounts means that there is an uncertainty as to the valuation of the amounts due from group companies. These financial statements do not include any adjustments that would result if these amounts were not recovered in full from the group companies.

(b) Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the tax rates and laws enacted or substantially enacted at 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.

(c) Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary of Taylor Wimpey plc, which prepares consolidated financial statements that include a consolidated cash flow statement and are publicly available.

2. Profit on ordinary activities before taxation

Auditors' remuneration for the audit of the company's annual accounts of £1,080 (2006 £1,050) was borne by another group company. There were no non-audit fees (2006 £nil). The company had no employees other than its directors (2006 none). The directors received no remuneration in respect of their services to the company (2006 £nil).

3 Tax on profit on ordinary activities

	Year to 31 December 2007 £000	Year to 31 December 2006 £000
United Kingdom corporation tax at 30% (2006 30%)		
Current period	<u>2,748</u>	<u>521</u>

There are no differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax of £9,160,000 (2006 £1,736,000).

TAYLOR WOODROW EUROPE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

(CONTINUED)

4 Dividends paid

	Year to 31 December 2007 £000	Year to 31 December 2006 £000
On ordinary equity shares		
Interim paid on 20 March 2006 of 1 11p per share	-	299

5 Debtors

	31 December 2007 £000	31 December 2006 £000
Due from ultimate parent company	168,591	151,171
Amounts owed by fellow group undertakings	3,030	-
	<u>171,621</u>	<u>151,171</u>

6 Creditors Amounts falling due within one year

	31 December 2007 £000	31 December 2006 £000
Payable to ultimate parent regarding corporation tax	1,775	237
Due to group undertaking	-	100,000
	<u>1,775</u>	<u>100,237</u>

7 Called up ordinary share capital

	31 December 2007 £000	31 December 2006 £000
Authorised		
275,000,000 (2006 75,000,000) shares of £1 each	<u>275,000</u>	<u>75,000</u>
Called, up allotted and fully paid		
162,320,002 (2006 49,820,000) shares at £1 each	<u>162,320</u>	<u>49,820</u>

On 22 January 2007, authorised share capital increased from 75,000,000 ordinary shares of £1 to 275,000,000 ordinary shares of £1 by the creation of 200,000,000 ordinary shares

On 22 January 2007 an additional 100,000,000 £1 ordinary shares were issued to group companies with consideration settled in cash

On 24 January 2007 an additional 12,500,000 £1 ordinary shares were issued to group companies with consideration settled in cash

TAYLOR WOODROW EUROPE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

(CONTINUED)

8. Profit and Loss Account

	£000
31 December 2006	1,115
Retained profit for the year	6,412
31 December 2007	<u>7,527</u>

9 Reconciliation of movements in shareholders' funds

	Year to 31 December 2007 £000	Year to 31 December 2006 £000
Profit for the year	6,412	1,215
New share capital subscribed	112,500	48,990
Reduction of Capital	-	(11,000)
Dividends	-	(299)
Net increase/(decrease) in shareholders' funds	118,912	38,906
Opening shareholders' funds	<u>50,935</u>	<u>12,029</u>
Closing shareholders' funds	<u>169,847</u>	<u>50,935</u>

10 Parent undertaking

The company's parent is controlled by Taylor Woodrow Sarl, Taylor Woodrow (Luxembourg) Investments No 1 Sarl and Taylor Woodrow (Luxembourg) Investments No 2 Sarl. Its ultimate controlling company is Taylor Wimpey plc which is incorporated in Great Britain and registered in England and Wales.

The company has taken advantage of the exemption contained in FRS8 (Related Party Transactions) which allows it not to disclose transactions with Group entities or investments which are eliminated on consolidation.

The Company's ultimate parent and controlling Company is Taylor Wimpey plc (formerly Taylor Woodrow plc), which is registered in England and Wales. Taylor Wimpey plc Group financial statements are the smallest and largest group financial statements that Taylor Woodrow Europe Limited is consolidated into. Copies of the Group financial statements of Taylor Woodrow plc can be obtained from The Registrar, Companies House, Crown Way, Mandy, Cardiff CF14 3UZ.