

Taylor Woodrow plc  
Interim Report and Accounts 2006



Taylor Woodrow

“We have once again demonstrated the benefits of our portfolio strategy, with a record first half profit from North America contributing 50 per cent of the Group’s profit from operations. Our UK business has grown both its unit completions and order book in the first half, despite operating off fewer sites than in the equivalent period last year.

We continue to anticipate modest growth in home completions in the UK for the full year due to a steady market and a small increase in the number of sites. Although some of our North American markets are softening, we continue to expect good growth in both home completions and profits in North America for the full year.”

Iain Napier, Chief Executive of Taylor Woodrow

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## Group Financial Highlights

6 months to 30 June 2006

Group revenues £1.49bn (2005: £1.45bn)

Housing profit from operations\* £189.9 million  
(2005: £195.4 million)

Housing operating margin\* 15.4% (2005: 16.8%)

Profit before tax £160.8 million (2005: £170.4 million)

Basic earnings per share 19.5 pence (2005: 20.8 pence)

Interim dividend 5.0 pence per share (2005 interim: 4.5 pence)

Net gearing 40.1% (2005: 44.1%)

Housing landbank 76,772 plots (Dec 2005: 75,160 plots)

Housing order book £1.62 billion (2005: £1.59 billion)

\* Profit from operations and operating margins are before joint ventures' interest and tax (see note 3). The Group's share of joint venture revenue is used in the margin calculation (see note 3).



Manfield Grange, Northampton

## Chairman and Chief Executives' Review

Taylor Woodrow operates a portfolio of three housing businesses, each in regions where underlying economic and demographic factors support long-term demand for new housing.



Norman Askew, Chairman



Iain Napier, Chief Executive

In the UK, the chronic undersupply of new housing continues. The Department for Communities and Local Government estimates demand for an annual average of 209,000 new household formations per annum in England alone between 2003 and 2026, heavily outweighing the 155,000 new homes completed in England, in the year to April 2005, according to data from the Office of National Statistics. Continuing net inward migration from the EU will increase the imbalance between demand and supply.

We have businesses in four States of the USA (Arizona, California, Florida and Texas) as well as in Ontario, Canada. All of these markets continue to benefit from both job and population growth, with Arizona, California and Florida also popular destinations for retirees.

We also operate in Spain and Gibraltar, primarily building homes in popular holiday destinations that are well served by low-cost airlines from Northern Europe.

### Results

Total revenue for the six months to 30 June 2006 was up 3 per cent to £1.49bn (2005: £1.45bn). Profit before tax at £160.8m was 6 per cent lower than the equivalent period last year. The effective tax rate was 30.3 per cent, which is in line with the 2005 full year.

Total equity before minority interests stood at £1,979.6m at 30 June 2006 (2005: £1,789.9m). Net debt was £793.7m (2005: £789.5m) resulting in net gearing of 40.1 per cent (2005: 44.1 per cent).

Basic earnings per share were 19.5 pence (2005: 20.8 pence). Equity per share increased by 9 per cent to 345.4 pence.

### Group Housing Overview

Group housing delivered a solid performance in the first half, with record profits from our North American business helping to offset lower margins and a reduced contribution from land sales in the UK.

# Chairman and Chief Executives' Review

continued



Keycol, Sittingbourne, Kent

## UK Housing

	H1 '06	H1 '05	FY '05
Revenue, including joint ventures	£742.2m	£681.2m	£1,647.4m
Profit from Operations*	£82.0m	£108.1m	£233.4m
Operating Margin*	11.0%	15.9%	14.2%
Home completions	3,369	3,194	8,178
UK Homes margin	11.5%	14.1%	12.7%

Housing profit from operations was £189.9m (2005: £195.4m) with 57 per cent of these profits coming from our overseas operations.

The overall order book has grown by 2 per cent to £1.62bn (2005: £1.59bn). The owned and controlled landbank with planning has also increased by 2 per cent to 76,772 plots (December 2005: 75,160 plots). With both of these metrics at record levels, we are well-placed to deliver growth in the future as market conditions allow.

\*Throughout the Chairman and Chief Executives' review, the profit from operations and operating margins are before joint ventures' interest and tax (see Note 3); joint venture revenue is used in the margin calculation (see Note 3).

## UK Housing

Our UK housing business achieved an increase of 5 per cent in home completions, despite operating off fewer sites than in the equivalent period last year. We ended the half-year with an order book of £649m, an increase of 8 per cent over the same point last year.

Average selling prices were slightly lower at £193k (2005: £195k), reflecting an increase in the proportion of social housing completions from 9 per cent to 14 per cent. Average selling prices per square foot increased by 3 per cent over the same period.

As expected, the UK homes margin was lower than the equivalent period last year, but broadly in line with that achieved in the second half of 2005. Whilst we have sold a similar amount of land to the first half of 2005, there has been an increased proportion of plots from more recently acquired

## Group Housing Overview

	H1 '06	H1 '05	FY '05
Revenue, including joint ventures	£1,232.5m	£1,163.9m	£2,864.9m
Profit from Operations*	£189.9m	£195.4m	£456.0m
Operating Margin*	15.4%	16.8%	15.9%
Home completions	5,052	5,065	12,516



Macintosh Village, Manchester

larger sites, which inevitably attract a lower margin. Land sales remain profitable, although at a margin lower than the sale of homes. In addition, the first half of 2005 included the £7.1 million benefit of the one-off sale of the Quartermile project in Edinburgh.

We continue to focus on operational efficiencies in our UK housing business. Having grown through two major acquisitions in the last six years, we have inherited a variety of planning consents based on a very wide range of housetypes. We have worked hard to rationalise this range and expect to see the benefits in terms of build cost improvements coming through in future years as we start to build on land with more recent consents.

We have increased our landbank by 10 per cent to 38,498 plots (December 2005: 34,985 plots). Our strategy of taking options on land and working



Grand Union Village, Northolt

Group housing delivered a solid performance in the first half, with record profits from our North American business helping to offset lower margins and a reduced contribution from land sales in the UK.



Carmela, Southern California

with the vendor to promote the sites through the planning process has delivered further success over the last six months. 44 per cent of our landbank has been acquired from these strategic sources (2005: 40 per cent). Benefits from this will be realised in future years.

As previously announced, the performance of our residual commercial property portfolio is no longer being separately reported and has been incorporated into the UK Housing results.

### North America Housing

Our North American business has delivered another set of excellent results, with a record first half profit of £96.0m, up 29 per cent on the first half last year. Whilst we sold fewer homes in the first half of 2006, our land development business achieved strong growth in lot completions as planned. Our average selling price for homes was US\$440k (2005: US\$399k).

We have achieved an exceptional level of operating margin in the first half. Our order book enabled us to capitalise on the strong market conditions for both homes and lots in the second half of 2005. Our order book at 30 June 2006 stood at US\$1.63bn, down 1 per cent. (2005: US\$1.64bn). Excluding the impact of our Florida high-rise condominium developments, where we have fewer active projects this year, the order book was up 16 per cent compared to June 2005.

Once again, we have achieved an outstanding result in Arizona, completing 535 homes (2005: 509) at an average selling price of US\$281k (2005: US\$206k). Lot completions in the region also grew strongly, as the State continues to offer a more affordable alternative to California.

Completions in California were 230 homes (2005: 307) at an average selling

price of US\$841k (2005: US\$797k), whilst in Florida we completed 237 homes (2005: 297) at an average price of US\$668k (2005: US\$535k). Completions in both of these States were lower than last year's levels, as a result of delays in receiving planning permissions and habitation certificates respectively.

Whilst we are currently experiencing softer markets in Arizona, California and Florida, the market in Texas is performing well after a number of years of flat performance. We completed 128 homes (2005: 59) at an average selling price of US\$426k (2005: US\$408k) at our communities in Austin and Houston.

In Canada, we sold 382 homes (2005: 496) in what remains a solid market, along with an increased number of lots. The average home selling price was Can\$320k (2005: C\$333k).

# Chairman and Chief Executives' Review

continued



Cala Magrana, Porto Cristo, Majorca

## Spain and Gibraltar Housing

	H1 '06	H1 '05	FY '05
Revenue	£43.6m	37.4	75.7
Profit from Operations	£11.9m	12.9	23.0
Operating Margin	27.3%	34.5%	30.4%
Home completions	171	203	406

### Spain and Gibraltar Housing

Spain and Gibraltar remain attractive destinations for UK purchasers and our well-respected British brand, combined with our experience of over 40 years in these markets provides us with a competitive advantage.

We sold 171 homes in the first half of 2006, at an increased average selling price of £190k (2005: £163k) as a result of changes in the geographical mix.

Operating margins remain strong, albeit below the exceptional levels achieved in recent years. During the first half we have taken the opportunity to rebalance the land portfolio by selling on some of our holding in the Malaga area.

Our landbank of 2,238 plots remains at a similar level to that reported in December 2005 and the order book of £92m is 6 per cent above the £86m at the end of June 2005.

### Construction

Construction has had a successful first half, with financial close being achieved for the St. Helens and Knowsley Hospitals NHS Trust PFI scheme and the selection as preferred bidder for the Building Schools for the Future programme in Sheffield. The profit from operations was £5.2m (2005: £7.5m) and the external order book was increased by 40 per cent to £1.09bn (2005: £777m).

### Outlook

Our geographic portfolio of businesses continues to provide us with alternative investment and growth options.

We continue to anticipate modest growth in home completions in the UK for the full year due to a steady market and a small increase in the number of sites. In the longer term, the UK market remains attractive on fundamentals and we have the landbank in place to deliver future growth as market conditions allow.

## North America Housing

	H1 '06	H1 '05	FY '05
Revenue, including joint ventures	£446.7m	£445.3m	£1,141.8m
Profit from Operations*	£96.0m	£74.4m	£199.6m
Operating Margin*	21.5%	16.7%	17.5%
Home completions	1,512	1,668	3,932



National Assembly of Wales

In North America, although some of our markets are softening, our order book provides us with good visibility of performance in the second half. We continue to expect good growth in both home completions and profits for the full year. However, we have seen a reduction in reservations per site per week together with an increase in cancellations and therefore the autumn selling season will be critical in determining the level of our year-end order book.

Spain and Construction remain on course to deliver stable performance in 2006.

Overall we anticipate full year results to be in line with expectations.

# Chairman and Chief Executives' Review

continued



The Country Club, Mirasol, SE Florida



Crutherland Gate, East Kilbride



Steeple Chase, Swindon

## Dividends

The Board has declared an interim dividend of 5.0 pence per share (2005 interim: 4.5 pence per share), an increase of 11 per cent. This dividend will be paid on 1 November 2006 to shareholders on the register at close of business on 29 September 2006.

The company offers shareholders the opportunity to use their dividends to purchase shares on the market under the terms of the Dividend Re-Investment Plan. Further details can be found on page 20 of this report.

## Pensions

Having commenced discussions earlier this year on the shape of future funding with the Trustees of our main defined benefit pension scheme in the UK, the Taylor Woodrow Group Pension and Life Assurance Fund, we have now reached an agreement in principle on the basis of future funding.

The Company proposes to increase its past service deficit funding payments from £4.8m per annum to £20m per annum for a period of 10 years. This increase relates to cashflow, and profit from operations will not be affected.

The intention is to close the Fund to future accrual for existing members. These members will be offered contributions on a defined contribution basis into the Taylor Woodrow Personal Choice Plan. This arrangement has been the pension vehicle for all new employees since 2002. Future funding levels will remain equivalent with the existing arrangements.

The Company has started consultation on these changes with employees through its established Employee Consultation Committee process. The Company is working towards an implementation date for the changes of 1 December 2006.

## Other

The company wishes to encourage shareholders to receive certain company communications, including the annual report and accounts and interim reports, electronically via its website. For further information, please refer to page 19.

**Norman Askew**

Chairman  
2 August 2006

**Iain Napier**

Chief Executive  
2 August 2006

# Independent Review Report to Taylor Woodrow plc

## **Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement, related notes 1 to 8 and the reconciliation of movements in consolidated equity. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## **Review work performed**

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

## **Deloitte & Touche LLP**

Chartered Accountants  
London  
2 August 2006

# Consolidated Income Statement

## for the six months to 30 June 2006

		Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	Note	£m	£m	£m
<b>Continuing operations</b>				
Revenue: Group and share of joint ventures	3	1,494.4	1,449.3	3,556.4
Less share of joint ventures		(43.0)	(28.1)	(79.5)
<b>Consolidated revenue</b>	3	<b>1,451.4</b>	1,421.2	3,476.9
Cost of sales		(1,175.1)	(1,150.5)	(2,831.7)
Gross profit		276.3	270.7	645.2
Profit on disposal of properties and investments		5.5	10.1	10.2
Administrative expenses		(97.8)	(86.0)	(195.4)
Share of results of joint ventures		9.1	5.9	15.0
<b>Profit from operations</b>	3	<b>193.1</b>	200.7	475.0
Interest receivable		3.6	3.9	8.3
Finance costs		(35.9)	(34.2)	(72.3)
<b>Profit before tax</b>		<b>160.8</b>	170.4	411.0
Tax	4	(48.8)	(52.8)	(124.5)
<b>Profit for the period</b>		<b>112.0</b>	117.6	286.5
Attributable to:				
Equity holders of the parent		111.5	117.1	285.7
Minority interest		0.5	0.5	0.8
		<b>112.0</b>	117.6	286.5
<b>Earnings per share</b>				
From continuing operations				
Basic	6	19.5p	20.8p	50.6p
Diluted	6	19.2p	20.6p	49.8p

## Consolidated Statement of Recognised Income and Expense for the six months to 30 June 2006

	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	£m	£m	£m
Net exchange differences on translation of foreign operations	(23.9)	4.1	36.4
Actuarial gains/(losses) on defined benefit pension schemes	16.3	-	(73.3)
Tax on actuarial gains/(losses) taken directly to equity	(4.9)	-	22.0
<b>Net income recognised directly in equity</b>	<b>(12.5)</b>	<b>4.1</b>	<b>(14.9)</b>
<b>Profit for the period</b>	<b>112.0</b>	<b>117.6</b>	<b>286.5</b>
<b>Total recognised income and expense for the period</b>	<b>99.5</b>	<b>121.7</b>	<b>271.6</b>

## Reconciliation of Movements in Consolidated Equity for the six months to 30 June 2006

	Note	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
		£m	£m	£m
<b>Total recognised income for the period</b>		<b>99.5</b>	<b>121.7</b>	<b>271.6</b>
Dividends on equity shares	5	(51.0)	(45.5)	(71.3)
New share capital subscribed		3.1	3.4	9.8
Purchase of own shares		(0.5)	-	-
Proceeds from sale of own shares		3.1	4.1	7.3
Share-based payments		3.5	2.4	5.9
Decrease/(increase) in share-based payment tax reserve		(2.7)	1.5	1.2
Credit to equity relating to disposal of own shares		-	-	1.3
Loss on disposal of own shares		(3.2)	-	-
Increase in other reserve		(0.1)	-	0.6
Decrease in minority interests		(0.5)	(0.4)	(0.9)
<b>Net increase in equity</b>		<b>51.2</b>	<b>87.2</b>	<b>225.5</b>
<b>Opening equity</b>		<b>1,929.3</b>	<b>1,703.8</b>	<b>1,703.8</b>
<b>Closing equity</b>		<b>1,980.5</b>	<b>1,791.0</b>	<b>1,929.3</b>

# Consolidated Balance Sheet

## at 30 June 2006

	30 June 2006	30 June 2005	31 December 2005
	£m	£m	£m
<b>Non-current assets</b>			
Goodwill	363.4	363.5	363.9
Property and plant	24.7	24.0	24.4
Interests in joint ventures	53.6	91.8	92.1
Trade and other receivables	65.1	37.0	37.2
Deferred tax assets	79.3	71.7	101.2
	<b>586.1</b>	<b>588.0</b>	<b>618.8</b>
<b>Current assets</b>			
Inventories	3,147.0	2,756.7	2,699.6
Trade and other receivables	314.2	336.0	281.9
Cash and cash equivalents	84.7	97.1	197.3
	<b>3,545.9</b>	<b>3,189.8</b>	<b>3,178.8</b>
<b>Total assets</b>	<b>4,132.0</b>	<b>3,777.8</b>	<b>3,797.6</b>
<b>Current liabilities</b>			
Trade and other payables	(870.0)	(754.4)	(822.1)
Tax liabilities	(37.9)	(40.2)	(61.6)
Debenture loans	(4.1)	(15.1)	(6.5)
Bank overdrafts and loans	(49.5)	(23.2)	(9.0)
	<b>(961.5)</b>	<b>(832.9)</b>	<b>(899.2)</b>
<b>Net current assets</b>	<b>2,584.4</b>	<b>2,356.9</b>	<b>2,279.6</b>
<b>Non-current liabilities</b>			
Trade and other payables	(123.3)	(123.4)	(76.2)
Debenture loans	(621.5)	(633.1)	(638.0)
Bank loans	(203.3)	(215.2)	(0.7)
Retirement benefit obligation	(206.9)	(145.4)	(222.5)
Deferred tax liabilities	(0.9)	(4.2)	(0.9)
Long-term provisions	(34.1)	(32.6)	(30.8)
	<b>(1,190.0)</b>	<b>(1,153.9)</b>	<b>(969.1)</b>
<b>Total liabilities</b>	<b>(2,151.5)</b>	<b>(1,986.8)</b>	<b>(1,868.3)</b>
<b>Net assets</b>	<b>1,980.5</b>	<b>1,791.0</b>	<b>1,929.3</b>
<b>Equity</b>			
Share capital	148.5	147.1	148.0
Share premium account	759.0	750.8	756.2
Revaluation reserve	0.5	0.7	0.5
Own shares	(51.4)	(51.3)	(53.9)
Share-based payment tax reserve	1.3	4.3	4.0
Capital redemption reserve	31.5	31.5	31.5
Other reserve	5.3	4.9	5.4
Translation reserve	6.0	(2.5)	29.9
Retained earnings	1,078.9	904.4	1,006.8
<b>Equity attributable to equity holders of the parent</b>	<b>1,979.6</b>	<b>1,789.9</b>	<b>1,928.4</b>
<b>Minority interests</b>	<b>0.9</b>	<b>1.1</b>	<b>0.9</b>
<b>Total equity</b>	<b>1,980.5</b>	<b>1,791.0</b>	<b>1,929.3</b>

# Consolidated Cash Flow Statement for the six months to 30 June 2006

	Note	Six months to 30 June 2006 £m	Six months to 30 June 2005 £m	Year to 31 December 2005 £m
<b>Net cash from operating activities</b>	7	<b>(408.6)</b>	(256.2)	130.2
<b>Investing activities</b>				
Interest received		4.5	3.9	8.3
Dividends received from joint ventures		15.6	1.7	3.0
Proceeds on disposal of properties, plant and investments		43.8	4.3	13.9
Purchases of properties, plant and investments		(3.2)	(2.8)	(6.3)
Amounts invested in joint ventures		(5.5)	(18.2)	(22.8)
Amounts repaid by joint ventures		3.4	21.4	27.2
<b>Net cash from investing activities</b>		<b>58.6</b>	10.3	23.3
<b>Financing activities</b>				
Equity dividends paid		-	-	(71.3)
Dividends paid by subsidiaries to minority shareholders		(0.5)	(0.4)	(0.9)
Issue of ordinary share capital by Taylor Woodrow plc		3.1	3.4	9.8
Proceeds from sale of own shares		3.1	4.1	7.3
Purchase of own shares		(2.0)	-	-
New debenture loans raised		-	-	1.8
New bank loans raised		315.0	280.0	410.2
Repayment of debenture loans		(2.6)	(1.3)	(18.5)
Repayment of bank loans		(91.0)	(65.1)	(416.2)
Increase/(decrease) in bank overdrafts		19.1	6.5	(2.3)
<b>Net cash from/(used in) financing activities</b>		<b>244.2</b>	227.2	(80.1)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(105.8)</b>	(18.7)	73.4
<b>Cash and cash equivalents at beginning of year</b>		<b>197.3</b>	114.9	114.9
Effect of foreign exchange rate changes		(6.8)	0.9	9.0
<b>Cash and cash equivalents at end of period</b>		<b>84.7</b>	97.1	197.3

# Notes to the Consolidated Financial Statements for six months to 30 June 2006

## 1. General information

The interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

The information for the year ended 31 December 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year prepared under IFRS has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

## 2. Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

Trade debtors that fall due after more than one year were previously presented in current assets on the basis that they were not considered material in the context of the balance sheet. These have now been presented within non-current assets. The consolidated balance sheets as at 30 June 2005 and 31 December 2005 have been represented accordingly.

## 3. Business segments

The following is an analysis of the revenue, results and capital employed, analysed by business segment, the Group's primary basis of segmentation. Inter-segment construction revenue relates to construction contracts conducted on an arms-length basis.

	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Housing Total	Construction	Consolidated
Six months to 30 June 2006	£m	£m	£m	£m	£m	£m
<b>Revenue:</b>						
External sales	713.3	432.6	43.6	1,189.5	261.9	1,451.4
Inter-segment sales	-	-	-	-	34.7	34.7
Eliminations	-	-	-	-	(34.7)	(34.7)
Total revenue	713.3	432.6	43.6	1,189.5	261.9	1,451.4
Share of joint ventures' revenue	28.9	14.1	-	43.0	-	43.0
Group and share of joint ventures	742.2	446.7	43.6	1,232.5	261.9	1,494.4
<b>Result:</b>						
Profit before joint ventures	77.3	89.7	11.9	178.9	5.1	184.0
Share of joint ventures' profit	4.7	6.3	-	11.0	0.1	11.1
Profit**	82.0	96.0	11.9	189.9	5.2	195.1
Share of joint ventures' interest and tax	(1.7)	(0.3)	-	(2.0)	-	(2.0)
Profit from operations	80.3	95.7	11.9	187.9	5.2	193.1
Interest receivable						3.6
Finance costs						(35.9)
Profit before tax						160.8
Tax						(48.8)
Profit for the period						112.0
<b>Capital employed**</b>	1,728.2	727.3	69.8	2,525.3	(114.5)	2410.8
Goodwill						363.4
Net debt						(793.7)
<b>Net assets</b>						1,980.5

## Notes to the Consolidated Financial Statements for six months to 30 June 2006 continued

Six months to 30 June 2005	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Housing Total	Property	Construction	Consolidated
	£m	£m	£m	£m	£m	£m	£m
<b>Revenue:</b>							
External sales	672.6	426.1	37.4	1,136.1	52.5	232.6	1,421.2
Inter-segment sales	-	-	-	-	-	44.5	44.5
Eliminations	-	-	-	-	-	(44.5)	(44.5)
Total revenue	672.6	426.1	37.4	1,136.1	52.5	232.6	1,421.2
Share of joint ventures' revenue	8.6	19.2	-	27.8	-	0.3	28.1
Group and share of joint ventures	681.2	445.3	37.4	1,163.9	52.5	232.9	1,449.3
<b>Result:</b>							
Profit before joint ventures	106.5	68.4	12.9	187.8	-	7.0	194.8
Share of joint ventures' profit	1.6	6.0	-	7.6	-	0.5	8.1
Profit*	108.1	74.4	12.9	195.4	-	7.5	202.9
Share of joint ventures' interest and tax	(2.2)	-	-	(2.2)	-	-	(2.2)
Profit from operations	105.9	74.4	12.9	193.2	-	7.5	200.7
Interest receivable							3.9
Finance costs							(34.2)
Profit before tax							170.4
Tax							(52.8)
Profit for the period							117.6
<b>Capital employed**</b>	1,653.6	477.8	48.7	2,180.1	118.9	(82.0)	2,217.0
Goodwill							363.5
Net debt							(789.5)
<b>Net assets</b>							1,791.0

\*Profit is profit from operations before joint ventures' interest and tax.

\*\*The Group is unable to allocate the defined benefit pension scheme assets and liabilities on an actuarial basis by entity. However, for the purposes of the segmental analysis above the Group has allocated the deficit on the basis of contributing members. This allocation is performed solely for the purposes of providing a more meaningful segmental analysis and is not an appropriate apportionment in accordance with IAS 19.

# Notes to the Consolidated Financial Statements

## for six months to 30 June 2006 continued

Year to	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Housing Total	Property	Construction	Consolidated
31 December 2005	£m	£m	£m	£m	£m	£m	£m
<b>Revenue:</b>							
External sales	1,607.9	1,102.1	75.7	2,785.7	192.0	499.2	3,476.9
Inter-segment sales	4.8	-	-	4.8	-	71.1	75.9
Eliminations	(4.8)	-	-	(4.8)	-	(71.1)	(75.9)
Total revenue	1,607.9	1,102.1	75.7	2,785.7	192.0	499.2	3,476.9
Share of joint ventures' revenue	39.5	39.7	-	79.2	-	0.3	79.5
Group and share of joint ventures	1,647.4	1,141.8	75.7	2,864.9	192.0	499.5	3,556.4
<b>Result:</b>							
Profit before joint ventures	227.4	185.6	23.0	436.0	15.7	8.3	460.0
Share of joint ventures' profit	6.0	14.0	-	20.0	-	0.5	20.5
Profit*	233.4	199.6	23.0	456.0	15.7	8.8	480.5
Share of joint ventures' interest and tax	(5.4)	(0.1)	-	(5.5)	-	-	(5.5)
Profit from operations	228.0	199.5	23.0	450.5	15.7	8.8	475.0
Interest receivable							8.3
Finance costs							(72.3)
Profit before tax							411.0
Tax							(124.5)
Profit for the year							286.5
<b>Capital employed**</b>	1,585.1	495.6	57.5	2,138.2	7.8	(123.7)	2,022.3
Goodwill							363.9
Net debt							(456.9)
<b>Net assets</b>							1,929.3

## 4. Taxation

	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	£m	£m	£m
<b>Current taxation</b>			
UK corporation tax	17.5	15.9	39.1
Foreign taxation	18.3	38.4	96.5
<b>Deferred taxation</b>			
UK	0.3	6.0	10.2
Overseas	12.7	(7.5)	(21.3)
	<b>48.8</b>	<b>52.8</b>	<b>124.5</b>

Corporation tax for the interim period is charged at 30.3% (six months to 30 June 2005: 31.0%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

# Notes to the Consolidated Financial Statements for six months to 30 June 2006 continued

## 5. Dividends

	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	£m	£m	£m
Final dividend for the year to 31 December 2005 of 8.9p (2004: 8.1p) per share	51.0	45.5	45.5
Interim dividend for the year to 31 December 2005 of 4.5p per share	-	-	25.8
	51.0	45.5	71.3

	Six months to 30 June 2006	Six months to 30 June 2005
	£m	£m
Proposed interim dividend for the year to 31 December 2006 of 5.0p (2005: 4.5p) per share	29.7	25.8

The proposed interim dividend was approved by the Board on 2 August 2006 and has not been included as a liability as at 30 June 2006.

## 6. Earnings per share

	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
<b>Earnings per share</b>			
Basic	19.5p	20.8p	50.6p
Diluted	19.2p	20.6p	49.8p

The calculation of basic and diluted earnings per share is based on the following data:

	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	£m	£m	£m
<b>Earnings</b>			
Earnings for basic earnings per share and diluted earnings per share	111.5	117.1	285.7

	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	m	m	m
<b>Weighted average number of shares</b>			
For basic earnings per share	572.4	562.9	564.6
Weighted average of dilutive options	7.7	3.0	7.8
Weighted average of dilutive awards under bonus plans	0.6	1.2	1.1
For diluted earnings per share	580.7	567.1	573.5

# Notes to the Consolidated Financial Statements for six months to 30 June 2006 continued

## 7. Note to the consolidated cash flow statement

	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	£m	£m	£m
Profit from operations	193.1	200.7	475.0
Adjustments for:			
Depreciation of plant	3.0	2.9	5.8
Share-based payment charge	3.5	-	5.9
Gain on disposal of property, plant and investments	(5.5)	(10.1)	(10.2)
Share of joint ventures' operating profit	(9.1)	(5.9)	(15.0)
Increase/(decrease) in provisions	3.1	2.3	(0.4)
Operating cash flows before movement in working capital	188.1	189.9	461.1
Increase in inventories	(489.7)	(314.4)	(204.9)
(Increase)/decrease in receivables	(70.6)	(63.9)	(9.1)
Increase/(decrease) in payables	63.2	54.6	112.6
Cash (used in)/generated by operations	(309.0)	(133.8)	359.7
Income taxes paid	(54.1)	(82.3)	(153.7)
Interest paid	(45.5)	(40.1)	(75.8)
Net cash (used in)/from operating activities	(408.6)	(256.2)	130.2
	30 June 2006	30 June 2005	31 December 2005
<b>Net Debt</b>	£m	£m	£m
Cash and cash equivalents	84.7	97.1	197.3
Debenture loans	(625.6)	(648.2)	(644.5)
Bank overdrafts and bank loans	(252.8)	(238.4)	(9.7)
	(793.7)	(789.5)	(456.9)

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

## 8. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are as follows:

The Group purchased land from joint ventures for £8.9m during the six months to 30 June 2006 (six months to 30 June 2005: £2.8m; year to 31 December 2005: £7.3m).

Balances with joint ventures were as follows:

	30 June 2006	30 June 2005	31 December 2005
	£m	£m	£m
Amounts owed by joint ventures	45.6	89.6	93.6

# Shareholder Information

## **Financial Calendar** **2006 interim dividend**

Shares quoted ex-dividend on London Stock Exchange  
27 September 2006

Record date for interim dividend entitlement  
29 September 2006

Latest date for receipt of Dividend Re-Investment Plan  
mandate forms to be effective for the interim dividend  
29 September 2006

Latest date for receipt of notice of withdrawal from the  
Dividend Re-Investment Plan to be effective for the interim  
dividend  
11 October 2006

Payment date for the 2006 interim dividend  
1 November 2006

Despatch date for Dividend Re-Investment Plan share  
certificates and tax vouchers  
22 November 2006

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## **Auditors**

Deloitte & Touche LLP

## **Bankers**

HSBC Bank plc

## **Stockbrokers**

UBS Investment Bank  
Morgan Stanley & Co. International  
Limited

## **Registrar**

For any enquiries concerning your  
shareholding or details of shareholder  
services, please contact:

## **Capita Registrars**

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Telephone: +44 (0) 870 162 3103  
Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

## **Electronic communications**

Did you know that you can now elect  
to receive certain shareholder  
information electronically rather than  
in paper format? We encourage  
shareholders to take up this option  
and an increasing number have  
already chosen to do so. For further  
information and to register please  
go to [www.taylorwoodrow.com](http://www.taylorwoodrow.com)  
and navigate through to Corporate/  
Investor Relations/Shareholder  
Facilities and click on 'How do  
I register for Electronic  
Communication?'

### **On-line facilities for shareholders**

You can access our Annual and Interim Reports and copies of recent shareholder communications on-line at [www.taylorwoodrow.com](http://www.taylorwoodrow.com).

If you have registered for on-line access at Capita Registrars' website, you can make on-line enquiries about your shareholding and advise the company of changes in personal details. To register go to [www.taylorwoodrow.com](http://www.taylorwoodrow.com) and navigate through to Corporate/Investor Relations/Shareholder Facilities, and click on 'Shortcut to Shareholder Services'. To access some of these services you will first be required to apply on-line for a User ID.

### **Duplicate share register accounts**

If you are receiving more than one copy of our Interim Report, it may be that your shares are registered in two or more accounts on the register of members. If that was not your intention you might consider merging them into one single entry. Please contact Capita Registrars who will be pleased to carry out your instructions.

### **Dividend mandates**

We encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, complete and return the dividend mandate form attached to your dividend cheque. Additional mandate forms may be obtained from Capita Registrars.

### **Dividend Re-Investment Plan**

You can choose to invest your cash dividends in purchasing Taylor Woodrow shares on the market under the terms of the Dividend Re-Investment Plan. For further information and how to join, go to [www.taylorwoodrow.com](http://www.taylorwoodrow.com) and navigate through to Corporate/Investor Relations/Dividend Issue Information.

### **Low-cost share dealing services**

We have arranged both telephone and on-line share dealing services for buying and selling up to £25,000 worth of Taylor Woodrow shares. Both services are operated by Capita Registrars. To use the services either telephone +44 (0) 870 458 4577 or visit [www.capitadeal.com](http://www.capitadeal.com). To deal, you will need to provide your surname, postcode, date of birth and investor code (which can be found on your share certificate).

### **Taylor Woodrow and 'CREST'**

Taylor Woodrow shares can be held in 'CREST' accounts, which do not require share certificates. This may make it quicker and easier for some shareholders to settle stock market transactions. Shareholders who deal infrequently may, however, prefer to continue to hold their shares in certificated form and this facility will remain available for the time being, pending the introduction of dematerialised shareholdings in due course.

### **Taylor Woodrow share price**

Our share price is printed in most UK daily newspapers and is also available on our website [www.taylorwoodrow.com](http://www.taylorwoodrow.com). It appears on Ceefax (BBC1 page 232, BBC2 page 223) and C4 Teletext (page 520) and may be obtained by telephoning the Financial Times Cityline Service, telephone: +44 (0) 906 843 4177 (calls cost 60 pence per minute).

### **Gifting shares to charity**

If you have a small holding of Taylor Woodrow shares, you may wish to consider gifting them to charity. You can do so through 'ShareGift', run by Orr Mackintosh Foundation Limited, a registered charity. Shares gifted are re-registered into the name of the charity, combined with other donated shares and then sold through stockbrokers who charge no commission. The proceeds are distributed to a wide range of recognised charities. For further details, contact Capita Registrars or approach ShareGift directly on [www.sharegift.org/sharegift](http://www.sharegift.org/sharegift) or telephone them on + 44 (0) 20 7337 0501.

### **Personal equity plan**

The Taylor Woodrow General and Single Company PEPs are now managed by The Share Centre, 1st Floor, Oxford House, Oxford Road, Aylesbury, Bucks. HP21 8PB. Telephone: +44 (0) 1296 439000.

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Printed by Streamline Press Limited.  
Printed on 90gsm paper stock, produced  
with 55 per cent recycled fibre from both  
pre- and post-consumer sources.

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