Taylor Woodrow plc

1998 ANNUAL REPORT

296805

TAYLOR WOODROW

Taylor Woodrow's continuing success reflects the benefits of its well-balanced blend of complementary business activities. Housing and Property operations continue to drive the Group forward and there have been important contributions from Construction and Greenham Trading. The Group is in good shape as it approaches the new millennium and possesses the skills and desire to deliver strength for the future.

Front cover shows:
The 4,928 sq ft four-bedroom Prestancia home is available at Addison Reserve in Florida for US$1,285,000. This master-planned community of 720 houses and 27-hole championship golf course is set in 653 acres.

The average selling price in 1998 was US$804,000. With over 60% now sold, work on the third and final phase is well under way.

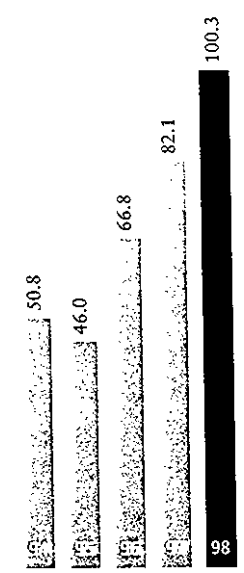
Benefiting from successful teamwork

Working together to achieve growth over the past year:

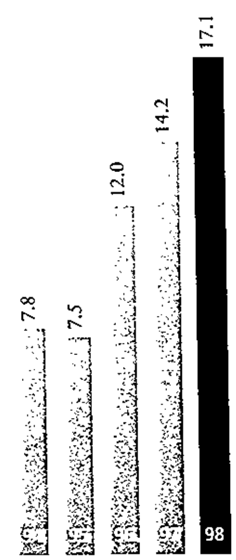
Financial highlights	1998	1997
Group turnover	**£1,400.5m**	£1,295.7m
Group operating profit	**£110.2m**	£85.1m
Profit before taxation	**£100.3m**	£82.1m
Basic earnings per share	**17.1p**	14.2p
Dividends per share	**5.1p**	4.5p
Net borrowings	**£141.7m**	£36.8m
Net gearing	**20.7%**	6.0%
Shareholders' funds per share	**169.7p**	154.2p

Continuing the improvement in our performance over the past five years:

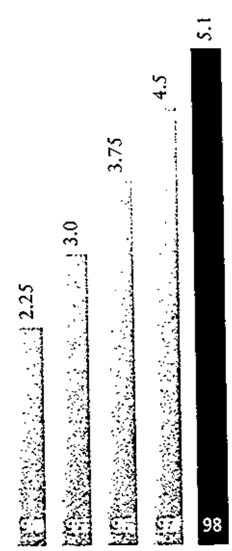
Profit before tax
£million



Basic earnings per share
pence



Dividends per share
pence



Chairman's statement

Colin J Parsons
Chairman

This is my final statement to shareholders prior to my retirement in June 1999, after a career of 40 years with the Group spent in North America and the UK. It is a great pleasure to look back on the previous year and report a substantial growth in profits and earnings. Compared with a loss of £94 million for 1992, the year in which I became chairman, it is gratifying to be able to report pre-tax profits of £100.3 million in 1998.

We have made a number of strategic moves to expand our housing and property development operations and the Group is now much more focused on these businesses. The results reflect the particular success of our North American and UK housing activities, where we have excellent management teams with long experience in their markets. Our UK property development businesses continue to grow steadily and will increasingly generate profits in the future. We also have the backing of our investment property portfolio which provides regular ongoing income.

Greenham Trading continues to produce resilient results. Our construction operation increased its profits, although these are not at an acceptable level. We continue to maintain a very cautious approach to this business.

Taylor Woodrow's continuing success reflects the benefits of our well-balanced blend of complementary business activities. This spread of interests provides us with a number of opportunities to advance the business without tying us to a dependency on any one area or market.

The board is recommending a final dividend of 3.6p compared with 3.25p for 1997. Together with the interim dividend of 1.5p paid on 2 November 1998, this makes a total dividend for the year of 5.1p, representing a 13% increase on the previous year, a further demonstration of our policy of continuing dividend growth. If approved at the annual general meeting, the final dividend will be paid on 1 July 1999 to shareholders on the register of members at the close of business on 14 May 1999. It will be paid as a conventional cash dividend. Once again, the board will be offering shareholders the facility to reinvest some or all of this dividend under the terms of the Dividend Re-investment Plan, details of which are contained in an accompanying circular to shareholders.

The board and management

During 1998, we announced a number of changes which will affect the future composition of the board. Early in the year, as mentioned in the previous annual report, Paul Phipps, chairman of Taywood Homes Limited was appointed to the board. Then, with effect from 5 November 1998, my colleague, Keith Egerton, was appointed as Group chief executive. At the same time, Dr Robert Hawley joined the board and it is intended that he will succeed me when I retire after the 1999 annual general meeting, when he will become part-time chairman of the company. Details of the process by which these appointments were decided are given in the section "Corporate governance" on page 24 of this annual report.

Following my retirement, I shall be continuing as a non-executive director of Monarch Development Corporation, our Canadian subsidiary.

At 31 December 1998, we said farewell to Mike Laycock, who had been a main board director since 1995 and who had given splendid service to Taylor Woodrow for 40 years.

These changes to the board have ensured that your company is well-equipped to drive the business forward and I am confident that Taylor Woodrow and its future are in good hands.

The London Stock Exchange Combined Code

The publication of the London Stock Exchange's Combined Code has given further impetus to all companies to re-assess their corporate governance and internal control arrangements. Although the Stock Exchange has indicated that comprehensive reporting on internal control matters may be delayed until publication of the 1999 results, the board has decided that it would be appropriate to publish a statement commenting on these important matters even though technical guidance has not yet been published by the accounting profession. The section "Corporate governance" on page 24 contains information broadly in line with the provisions of the Combined Code and will give shareholders an indication of our approach to these subjects.

Outlook

Clearly, 1998 has been a very good year for Taylor Woodrow. Where it has been necessary to redeploy resources from construction operations in territories, including Russia, we have been able to do so without incurring losses. We are increasingly seeking to target other growth areas. Most of our global markets are proving generally resilient to the economic slowdowns which were being forecast last year.

With the reduction in global interest rates, housing is becoming increasingly affordable. Our worldwide product range has the potential to bring increasing profits for shareholders from this important part of our business.

Already this year trading activity in our housing markets has started very positively.

Property markets are firmer, however conditions in construction will remain difficult. Greenham Trading's markets are also showing signs of improvement.

We have a good portfolio of prospects ready to deliver profit growth in future years and are looking closely at all our businesses to ensure that they perform to the best of their potential.

Taylor Woodrow consists of a team of enthusiastic and dedicated people and it is important that they should continue to be encouraged to pursue business challenges and be rewarded appropriately. To them and all of our shareholders, business partners and clients may I express the board's appreciation for their efforts and support.

Colin Parsons

16 March 1999

Chief executive's operating review

Keith R Egerton
Chief executive

The Group has had an excellent year in 1998. While all businesses contributed to the improvement, the dynamo behind the enhanced performance was our US housing business where our strategic investments have begun to bear fruit.

My objective as chief executive is to use the record of improvement over the last five years, during which time profits have doubled, as the base to move the Group forward, increasing profits and returns, and ensuring that we are a company which investors will want to support.

The Group is now clearly an international housing and property group, those activities together contributing almost 80% of Group profits. The emphasis on housing and property development will continue. The review below looks at the 1998 performance and future prospects of each of our businesses.

Housing

Profits at **Taywood Homes** rose strongly reflecting our strategy of focusing on margin improvement rather than volume. Operating margins increased from 8.1% to 10%, but home completions did not increase significantly.

Once again the southern part of England enjoyed the most buoyant market conditions and our regions located there performed well. The expansion of our Scottish region was affected by planning delays and economic uncertainties. The well-known problems caused by the current planning system have affected the overall growth of the business in all parts of the country and the Government must address this issue. Land values have been driven up because of the shortage of available residential sites.

Our land bank of plots with planning consent is equivalent to around 2.8 years of supply at the current level of home completions. We have also increased the land under our control mainly through purchasing options which, on exercise, allow us to buy land at a discount to open market value.

During the year we acquired the first three sites for our new Taywood Lifestyles division, which caters for the requirements of a healthy, ageing population. Our objective is to build a quality, well-located product which is then professionally managed offering a safe and secure environment to the purchasers. We will achieve our first completions from this division in 1999.

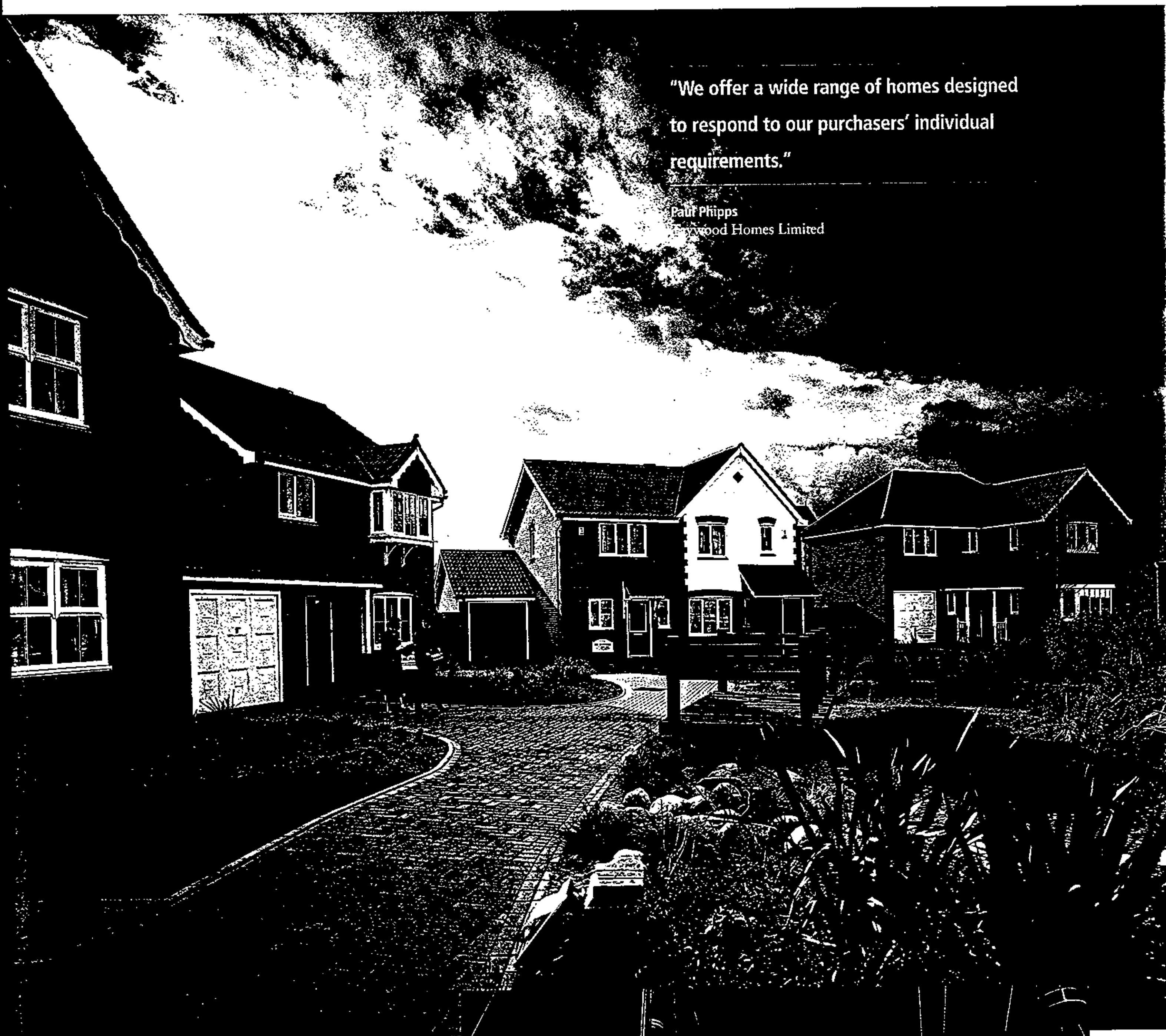
While the consensus of UK market observers indicates that 1999 will be more challenging than 1998, the fundamentals of falling mortgage rates and historically high affordability are expected to sustain the housing market in the current year. We expect to increase the number of home completions in 1999.

Through continuous improvement of o[ur] product, service and team, we aim to deliv[er] a quality home to our customers, exceedin[g] their expectations, and thus creating the conditions where they aspire to our new homes.

The performance of our **Central London** residential business was good despite the more uncertain market for luxury London apartments for most of the year. There we[re] 80 completions of apartments in 1998 at our successful City Quay development. Th[e] remaining phases are still under construct[ion] and it is anticipated the majority of the remaining units will complete in 1999.

"We offer a wide range of homes designed to respond to our purchasers' individual requirements."

Paul Phipps
Taywood Homes Limited



Above:
The show homes at Chancellor Park, Chelmsford, where Taywood Homes is developing approximately 550 two-, three-, four-, and five-bedroom homes amongst extensive landscaping and a four-acre park.

The new community will benefit from bus and cycle routes and pedestrian links to the town centre and with prices from £89,995 local interest remains strong.

Right:
Phase II of The City Quay at St Katharine Docks is made up of one-, two- and three-bedroom apartments, including two 1,800 sq ft penthouses.

Each of the 40 units in this phase was sold at least six months prior to its completion and off-plan sales of apartments in the remaining three phases of this 206 unit scheme are continuing.

Chief executive's operating review

Continued

"Our operations in Florida had an excellent year."

In view of the uncertain market we diversified our London residential developments portfolio. In March we introduced a 50% joint venture partner into the Montevetro project in Battersea and invested in two smaller development sites in Chelsea and Covent Garden. We are continuing to acquire other Central London sites.

We signed the development agreement in January this year for the Greenwich Millennium Village project in which we have a 50% interest. Substantial work will begin on site in 1999.

Canadian profits were substantially lower in 1998 than 1997 due to the timing of completions of high-rise condominium units and the expensing of sales and marketing costs for the seven high-rise schemes under development. Due to the stage of development of these schemes we were able to close only 36 condominium units in 1998 compared with 238 in 1997. However, sales of high-rise units, which will translate into completions in 1999, were strong largely as a result of an improved employment position in the Ontario market.

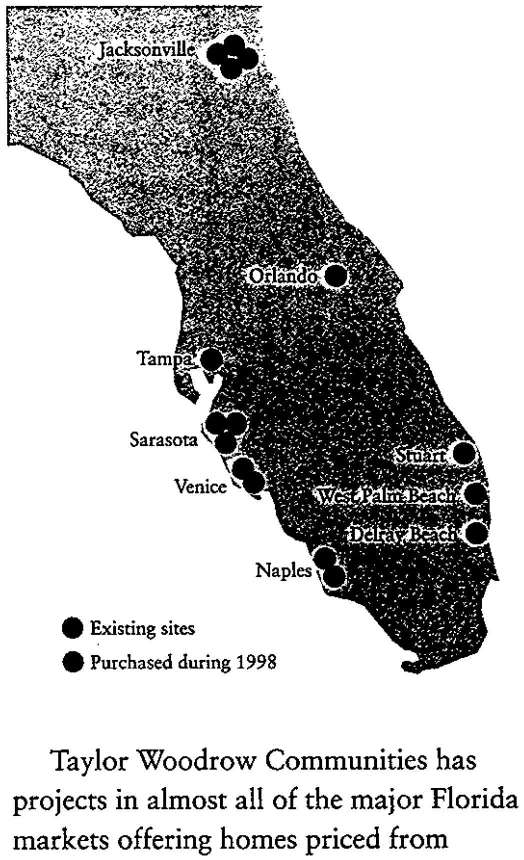
Three high-rise projects are currently under construction at Queen's Harbour, Kensington at Old Mill and at Chartwell and will provide a substantial number of completions in 1999. The high-rise condominium order book has more than tripled in the year to over C$100 million.

Interest rates were raised in the middle of the year in order to defend the Canadian dollar and this adversely affected the single family housing market. In addition, there was a softening in demand by Asian buyers. However, by the end of the year, five year mortgage rates were at historic lows which bodes well for 1999. In the Greater Toronto area, in which we have the majority of our developments, there remains substantial pent-up demand.

Our operations in **Florida** had an excellent year in 1998. Lot and home completions rose 57% to 836 and we were able to improve margins. Taylor Woodrow Communities has established an enviable reputation as Florida's premier developer o upscale country club and amenitised communities. The creation of these lifestyle communities supports the company's luxur homebuilding business. We currently have 14 active sites spanning the state, of which 9 are golf course communities.

New sites were acquired in 1998 at Tampa, Sarasota and West Palm Beach.

Florida sites



Taylor Woodrow Communities has projects in almost all of the major Florida markets offering homes priced from $120,000 to over $3.8 million.

"We know how to find our customers. Then we build their dream home and fill it with exhilarating features they didn't even know they wanted."

Richard Pope
Taylor Woodrow Homes, Inc

Above:
The six-bedroom showhome at Weatherly in Coto de Caza, where similar houses are priced from US$1.1 million. The development is one of seven new communities launched in California during 1998.

With one-acre sites and a customised build programme, the first two phases of these luxury homes were sold out even before the showhomes were completed.

Right:
This 3,800 sq ft executive home has four bedrooms and a nanny suite. It is one of a number of home designs that have made Monarch Development Corporation's Gooderham Estate community in Mississauga, West Toronto so popular.

A further 15 new designs, ranging from 1,800 to 3,000 sq ft will be introduced in Spring 1999.

Chief executive's operating review

Continued

"Our Southern California operation benefited from increased prices and margins."

The **California** market was also exceptionally strong in 1998 and our established Southern California operation, which builds upmarket single family homes, benefited from increased prices and margins. Completions came from nine active projects. We are a market leader in Southern California in designing quality well-located homes and employing innovative marketing techniques.

Our strategic expansion into the San Francisco area of Northern California progressed with a further three sites being acquired in 1998 bringing the total to five sites. Our first completions in Northern California are scheduled for early in 1999.

While the California market is expected to remain strong over the next two years, evidenced by the strong order book position at the year end, we expect some gradual softening from the heady levels of early 1998.

Our **Australian** land development operations, concentrated in the Perth and Sydney markets, performed below expectations. The poor economic conditions and abnormally wet weather held back lot completions despite mortgage rates being at their lowest for 20 years. With the acquisition of the other 50% of North Whitford Estates Pty. Limited being completed in January of this year, we now have full control of the two estates being developed by that company. The outlook for 1999 is encouraging with high house affordability and better economic conditions in Australia being reinforced by the expected surge in demand in advance of the proposed introduction of a Goods and Services Tax in June 2000.

In **Spain,** our strategy of widening the scope of our operations from the second home market in Mallorca demonstrated its success in 1998 with record completions ar profits. Both our operations on the mainla at Los Arqueros and the developments buil for the local Mallorcan market complement our second home developments.

Property

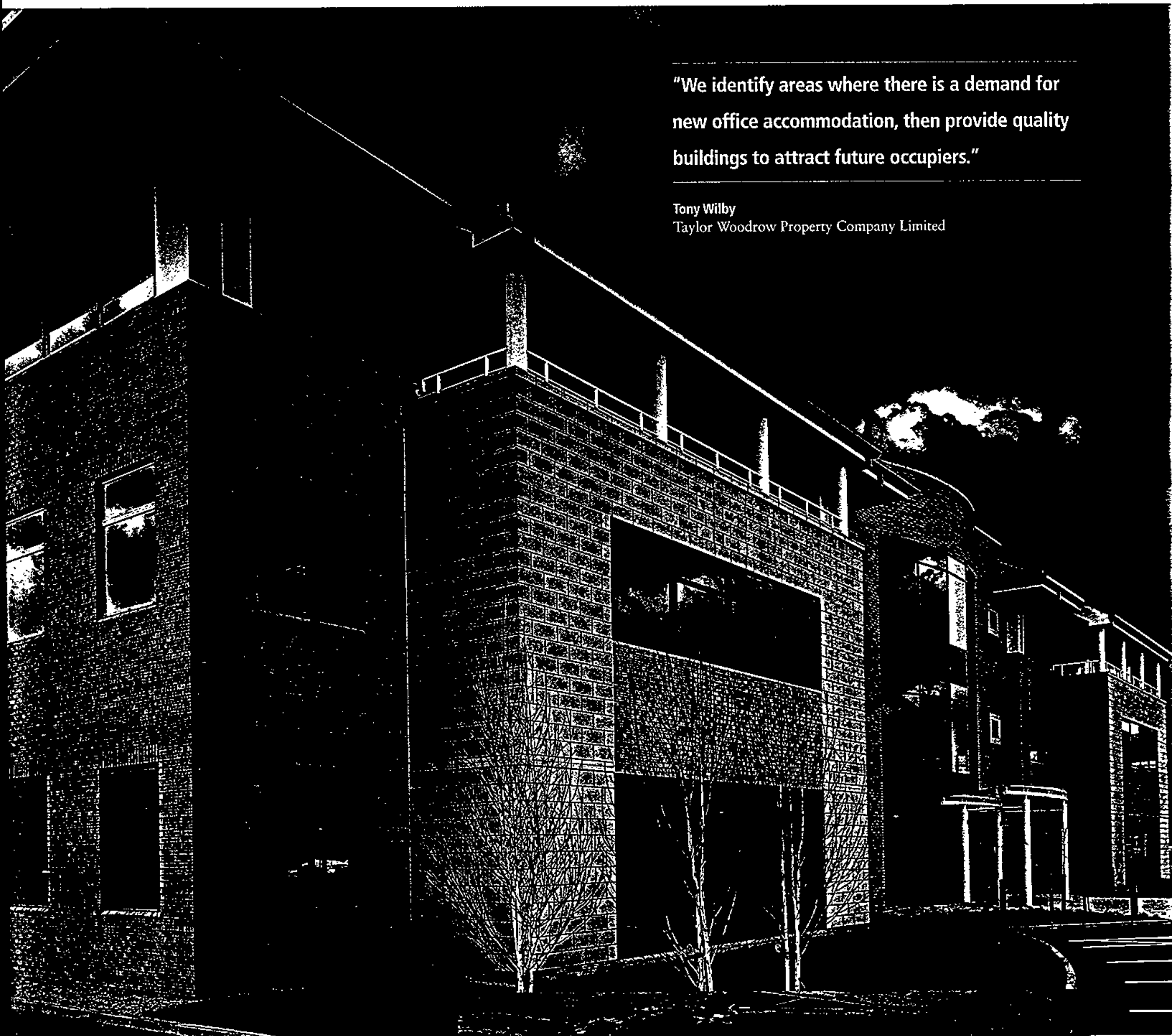
In the **UK**, we continue to grow our propert development business with emphasis being placed on developments in locations where there is strong tenant demand and evidenc of limited supply.

We are progressing the redevelopment c the sites in Eastcheap in the City of Londo and at Egham in Surrey which were acquir early in the year. Progress has been made ir furthering the development opportunities at the Anderston Centre in Glasgow, following the successful completion and letting of Cadogan Square as the first phas of this long-term redevelopment. At Livingston, the second-phase office buildin was completed and negotiations for letting the accommodation are at an advanced sta

We have acquired a number of other sites in the year including a nine-acre site in Manchester, an office development in Staines, Middlesex and a mixed office and retail development at Throgmorton Street in the City of London.

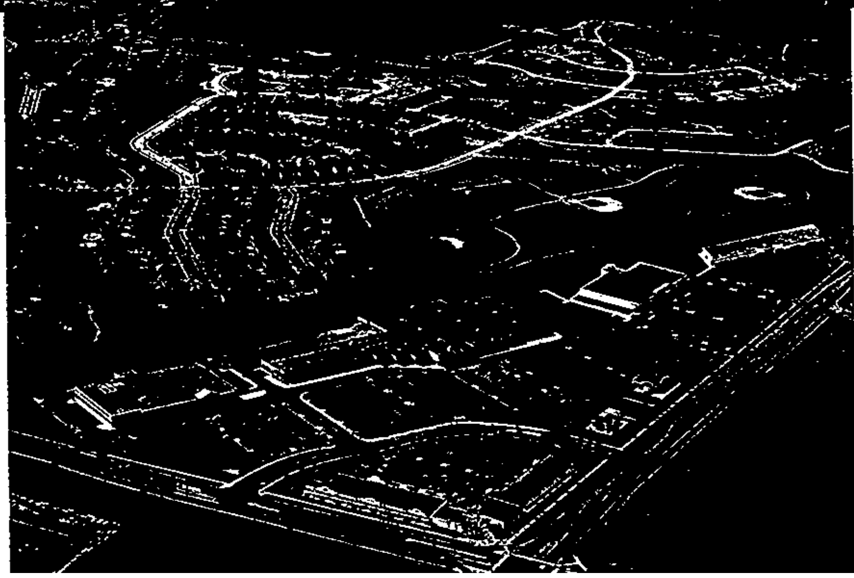
The annual revaluation of the UK investment property portfolio resulted in a 6% enhancement to values overall, with higher than average increases being achiev on the St Katharine's Estate and on our industrial properties.

Net rental income for the year was £32.8 million, the same as in 1997. We are currently experiencing a period of rental growth as the programme of investment property sales had been largely completed



"We identify areas where there is a demand for new office accommodation, then provide quality buildings to attract future occupiers."

Tony Wilby
Taylor Woodrow Property Company Limited



Above:
Quatro, a speculative office building in Camberley totalling 32,500 sq ft, is an example of property company's ongoing programme of high quality office development in the southwestern quadrant of the M25.

Right:
Millcroft shopping centre in Burlington is Monarch Development Corporation's flagship retail development. Set within 42 acres, the 360,000 sq ft complex houses several leading retailers.

Monarch is well-established in Burlington with its golf course community, also pictured, now in its 10th year.

Chief executive's operating review

Continued

"Revaluation of the UK investment property portfolio resulted in a 6% enhancement to values overall."

1997 and there were only £3 million of sales in the year. In addition, we sold early in the year our investment in Oman International Development Company (LLC) which held a portfolio of investment properties in the Sultanate of Oman. Future sales will be limited to properties where perceived future performance does not match our expectations.

Our major investment properties both in the UK and Canada are listed on page 51 of this report.

In **Canada**, the investment properties held by Monarch rose in value by 6.6% in the year. The property market is strong with rising rents and lower levels of tenant inducements. The portfolio has grown substantially in 1998, with net lettable space increasing 16% to 2.2 million sq ft.

Monarch has been active in property development in 1998. A major retail scheme is being undertaken at Millcroft in Burlington, Ontario on land owned adjacent to Monarch's successful Millcroft golf course community. The shopping centre will be a 360,000 sq ft big-box retail facility anchored by a top Canadian department store and when completed, will represent an investment of C$40 million. An 80,000 sq ft industrial building in Markham, Ontario was also completed and let in the year.

Construction

The construction business continued its progress in improving its profits and margins. Profits increased from £5.3 million in 1997 to £6.1 million. Turnover increased 6% to £613.5 million with strong growth in the UK. The order book was down at the year end at £784 million, compared with £867 million at the end of 1997.

Although the construction company earned modest profits in 1998, it failed to meet our expectations. Profits included earlier than anticipated claim settlements o completed contracts reduced by losses on difficult projects.

Our strategy is to focus on our core strengths ensuring that we tender at prices where we are appropriately rewarded for the contract risks undertaken. Further organisational changes were made in the year to achieve this objective. We will continue to reduce overheads to allow for the low level of profitable work that is currently available.

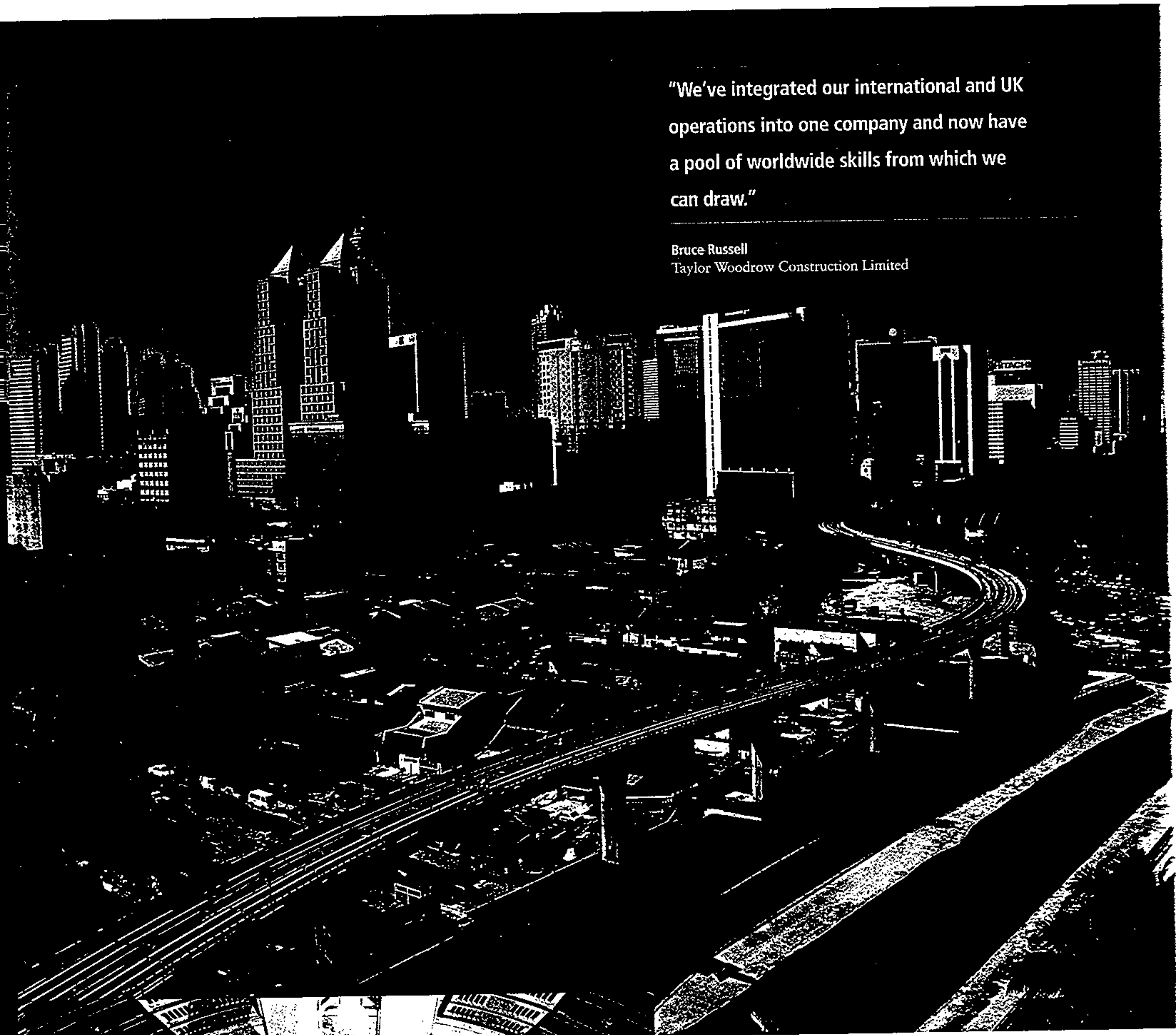
We disposed of several small non-core businesses in 1998. Early in the year we sold Taywood Aerolaminates, the wind turbine blade manufacturing business of Birtley Engineering. The balance of our wi energy business was sold later in the year when we disposed of our three UK windfarms. We also sold Jonathan James, the loss-making specialist plastering busines to its existing management.

Our involvement in Private Finance Initiative (PFI) roads went well in 1998, with the A19 design build finance and operate (DBFO) road scheme being handec over ahead of programme. Construction work on the M6 is progressing well despit recent bad weather and should be complet early. Several other DBFO road schemes in which we were interested have been reviewed by the Government resulting in postponement or cancellation.

We were also finally successful in closin in Bromley, a second PFI hospital project following on from the South Buckinghamshire hospitals. This is a £150 million scheme comprising an initial construction contract and subsequent

"We've integrated our international and UK operations into one company and now have a pool of worldwide skills from which we can draw."

Bruce Russell
Taylor Woodrow Construction Limited



Left:
Taylor Woodrow, in joint arrangement, completed its civil engineering work on the Jubilee Line extension at London Bridge earlier in the year.

The contract was considered one of the most complex of the whole project.

Above:
The second phase of the Light Rail Transit system in Kuala Lumpur was completed during 1998.

This picture shows the northern viaduct which runs between Jalan Sultan Ismail and the Putra World Trade Centre stations.

Taylor Woodrow has worked on both phases of the £850 million LRT system since 1987.

Chief executive's operating review

Continued

maintenance contract and is the second-largest PFI hospital scheme awarded in England and Wales to date. Other PFI projects in the health, transport and water sectors are being actively pursued.

The second phase of the Light Rail Transit system in Kuala Lumpur was opened for revenue service in good time for the Commonwealth Games in September over which period the system carried in excess of two million passengers.

"PFI projects in the health, transport and water sectors are being actively pursued."

While construction opportunities in Malaysia remain scarce, we expect the situation to steadily improve as the Asia Pacific economies recover. For example, in January of this year we were awarded in joint arrangement a major £183 million contract to design and construct a residential and retail complex for the Hong Kong government. The complex will consist of 2,220 flats in eight 37-storey blocks together with a shopping arcade.

Greenham Trading

While turnover at Greenham Trading's operations continued to increase, the 4% rate of growth was below that enjoyed in recent years. Profits rose in line with turnover to £8.7 million maintaining the record of seven years of consecutive growth. The lower than expected increase was due to the recession in the manufacturing sector and lack of major public works and large civil engineering projects.

Following the purchase of Total Safety Limited in 1997, a further acquisition was made in August 1998. City Service Supply Company Limited, based in Harrow, is a niche supplier of janitorial products to the London area market. The acquisition will assist Greenham's penetration of the janitorial market.

Warehouse capacity has been increased by 35,000 sq ft with expansion at the branches in Dublin and Manchester, a new larger branch in Aberdeen and the acquisition of the Harrow premises of City Service Supply Company. Overall capacity has increased 5.5% to 673,000 sq ft. We are currently relocating our Newbury branch into a 35,000 sq ft purpose-built warehouse.

With a period of consolidation taking plac in UK manufacturing, we see a considerable opportunity to offer the Greenham's one-stop shopping philosophy to assist these larger businesses with an efficient solution to their requirements for consumables.

Our strategy continues to be one of expansion organically and by acquisition and we believe this will enable growth in turnover and profits to return to their historical trend.

Greenham Construction Materials

Greenham Construction Materials had a successful year with increased turnover and profits, Greenham Sand and Ballast continued to perform steadily. Greenham Paving grew significantly following the commencement of commercial production a its second factory completed at the beginning of 1998.

Following the Group's excellent performance in 1998, the first few months of 1999 have been encouraging. I look forward to driving the Group forward and improving the return to our shareholders.

Keith Egerton

16 March 1999

"We're the ultimate one-stop shop. We aim to supply everything our customers need, down to the very last traffic cone."

Brian Abrahams
Greenham Trading Limited

Left:
Greenham Paving is amongst the top four UK paving manufacturers.

It supplies products for private and commercial use in locations as diverse as driveways, ports, car parks and supermarkets.

Above:
Greenham Trading's entry into the hose market has strong support from major manufacturers. It will continue to be a growth area, serving a variety of industrial and trade customers.

Greenham Trading has 20 branches in the UK.

The company's catalogues covering personal protection, contractors' site equipment, video and air conditioning, janitorial equipment and hoses are available on CD ROM or from the company's website.

Financial review

David A Green
Finance director

Summary

- Continued profit growth - profit before tax up 22%.
- Outstanding year in the US - profit before tax up 105%.
- Substantial increase in property development profits from £4 million to £11 million.
- Continued improvement in the return on average housing net assets to 16%.
- Shareholders' funds per share increased 10% to 169.7p.
- Gearing 20.7% despite a £153 million increase in stocks.

Operating performance

Operating profit increased 29% in 1998 to £110.2 million from £85.1 million for the previous year. There was strong growth in the operating profits of both the housing and property divisions which rose by 32% to £60.3 million and 27% to £38.4 million respectively.

Net interest expense rose 23% to £10.6 million reflecting an increase in average debt levels during 1998. The interest charge was £20.8 million and represented 9% of average gross borrowings during 1998, which was the same as in the previous year.

Profits before tax rose 22% to £100.3 million from £82.1 million in 1997.

The first and second half profits were more evenly balanced than usual. This was mainly due to especially good results from US housing in the first half of 1998.

Returns

We continued making progress in our strategy of increasing the rate of return on net assets. The overall return increased from 12% to 13% with housing increasing from 13% to 16%.

Profit by market

In the UK, pre-tax profits rose 10% from £49.4 million in 1997 to £54.1 million. The profits from our overseas operations increased from £32.7 million in 1997 to £46.2 million with a substantial £14.2 million jump in US profits. The graph below shows the growth in US profits over the last five years.

USA profit before tax
£m

Profit by activity

Housing remained the largest contributor to Group profits before tax and represented 56% of the total. Profits increased 38% from £40.8 million to £56.3 million on turnover rising 15% from £471 million to £540 million.

The profits and completions analysed by market are as follows:

Housing profits before tax

	1998 £m	1997 £m
UK	**19**	15
Canada	**7**	12
USA	**26**	11
Australia	**2**	2
Europe	**2**	1
Total	**56**	41

Home and lot completions

	1998	1997
UK	**1,885**	1,691
Canada	**653**	877
USA	**1,544**	1,177
Australia	**397**	485
Europe	**133**	103
Total	**4,612**	4,333

The strategy of focusing on margins rather than volumes at Taywood Homes led to profits improving £4 million to £15 million. Central London residential profits were flat at £4 million. In Canada, profits were £5 million lower, as expected, due to 202 fewer high-rise completions in the year. This is a timing issue and high-rise completions will rebound in 1999. Buoyant market conditions in California, Florida and Texas produced a £15 million improvement to £26 million. The heavy investment in land over the last five years is now producing excellent results and provides a sound base for future growth.

Property profits before tax increased 7% to £22.9 million. The underlying increase was significantly better as the 1997 profits had benefited from a £5 million profit on the sale of investment properties.

Property profits before tax

	1998 £m	1997 £m
Net rents	**33**	33
Overheads	**(6)**	(7)
Interest	**(15)**	(14)
Sale of investment properties	**–**	5
Development profits	**11**	4
Total	**23**	21

Our expanding property development programme has begun to bear fruit with £11 million of development profits being earned in 1998. A number of developments in the UK were sold including properties at Warrington, Swindon and Manchester.

Construction profits increased from £5.3 million in 1997 to £6.1 million due to a combination of margin improvement and turnover rising 6% to £614 million.

Greenham Trading improved its profits to £8.7 million in line with the comparatively low turnover growth of 4%. Turnover and profits were held back by the recession in UK manufacturing industry and lack of public works.

Taxation

The effective Group tax rate increased, as expected, from 25.2% in 1997 to 26.5%. We have been able to achieve a rate well below the standard UK corporation tax rate for several years now due to the use of losses and other reliefs. In particular US, Spanish and UK housing companies have benefited from loss carryforwards. However, these are soon to be fully utilised and as a consequence of this and the fact

"Buoyant market conditions in California, Florida and Texas produced a £15 million improvement."

Financial review

Continued

that a significant part of Group profit is generated in countries where tax rates are higher than in the UK, we expect the effective rate to continue to rise in the future. We do however, expect to be able to maintain a rate lower than the standard UK rate in 1999.

"Basic earnings per share grew 20% to 17.1p."

Shareholder returns and dividends

Basic earnings per share grew 20% to 17.1p in 1998 from 14.2p in the previous year. The increase is slightly less than the rise in pre-tax profits due to the rise in the tax charge and a small increase in the average number of shares in issue.

The proposed final dividend for 1998 brings the full year dividend to 5.1p which is a 13% increase. Dividend cover rises to 3.4.

There was a £71 million increase in shareholders' funds in 1998 principally the £48 million of profit retained and a £21 million surplus representing the Group's share of the annual revaluation of investment properties. Shareholders' funds per share increased 10% to 169.7p.

Exchange

In preparing the accounts, we translate the profit and loss statements of the overseas operations at average exchange rates and their balance sheets at year end exchange rates. The exchange rates used in these accounts are:

	Average		Year end	
	1998	1997	1998	1997
United States	**1.66**	1.65	**1.66**	1.65
Canada	**2.46**	2.28	**2.56**	2.35

The continued strength of sterling adversely affected profit before tax by £6 million and shareholders' funds by £6 million.

Property valuations

The annual revaluation of the Group's investment property portfolio resulted in a surplus of £23 million. There was a 6% uplift in values of both the UK and Canadian investment properties. The office properties on the St Katharine's Estate and our portfolio of industrial properties did comparatively well.

Land and development costs

The land bank of plots with planning consen increased by 2,082 plots to 20,736 which represents 4.5 years supply at current levels of completions.

The book value of land and development increased substantially in 1998 and is analysed below:

	1998 £m	1997 £m	Change
Residential			
UK	**181**	140	+29%
Canada	**62**	52	+19%
USA	**223**	176	+27%
Australia	**26**	26	–
Europe	**21**	13	+62%
Total	**513**	407	+26%
Commercial	**122**	81	+51%

Cash flow

There was a cash outflow before financing of £116.2 million in the year compared with an inflow of £28.3 million in 1997.
The cash flow in 1997 had benefited from £32 million of proceeds from the sale of investment properties.

Despite the rise in operating profits in 1998 there was an operating cash outflow of £47.2 million, mainly due to increases of £120 million in land and residential development and £40 million in commercial property development.

Treasury

The executive committee, which meets every two weeks, monitors the Group's cash, borrowings and bank facilities and maintains tight financial control. The main board sets treasury policies and the Group's treasury department undertakes day to day operations.

Investment of funds is carried out within policies that control security, liquidity and interest rate risk.

It is the Group's policy not to take unnecessary risks with foreign currency transactions and it is the responsibility of operating subsidiaries to either avoid or hedge the exposure. Foreign exchange hedging transactions are restricted to those required to hedge underlying commercial transactions. Currency options may be purchased within agreed policy but the uncovered sale and writing of options is not permitted. Group treasury department monitors all hedging transactions.

The Group takes a long-term view of its overseas investments and, where appropriate, foreign currency translation exposure is managed by financing overseas assets with borrowings of the same currency.

Borrowing is required primarily for property investment, property development and housing.

The Group obtains the most appropriate form of borrowing to finance the underlying assets. The majority of the Group's borrowings finance the investment property portfolio and comprise long-term secured fixed rate debt so as to match rental income with interest expense.

Gross borrowings, inclusive of our share of debt in FRS9 joint ventures, stood at £272.1 million at the end of 1998 compared with £227.9 million at the end of the previous year. During the year, our Canadian subsidiary, Monarch Development Corporation raised C$44 million through a private placement repayable August 2008.

As forecast last year, net debt has risen steadily throughout 1998 due to the expansion in housing and property development. Net debt at the end of 1998 was £141.7 million which equates to 20.7% gearing compared with 6% at the end of 1997. We expect net debt to continue rising during 1999 but at a slower rate.

At 31 December 1998, cash balances stood at £81.2 million and undrawn committed facilities amounted to £203.3 million.

Our fixed term debt, cash and committed facilities provide the Group with the resources for continued growth.

Accounting standards

We have adopted three Financial Reporting Standards in our 1998 accounts relating to Goodwill and Intangible Assets (FRS 10), Impairment of Fixed Assets and Goodwill (FRS 11) and Earnings Per Share (FRS 14). Compliance with these new standards has little effect on the accounts other than certain additional disclosures.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the accounts, that there is a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

D. A. Green

16 March 1999

"Committed facilities provide the resources for continued growth."

Corporate citizenship

> **"Every part of the business is covered by the Group's environmental policy."**

Taylor Woodrow seeks to conduct its business in a responsible manner, whether in developing its own team and operations, working with suppliers, customers and the local communities where it operates, or assessing the implications on the environment. The result is an organisation that is constantly learning, always improving and forever listening.

Developing the best team

It is essential for the Group's ongoing success that we bring out the best in all team members. The Group places high priority on providing quality training and development, to give team members the skills they need in order to perform effectively and professionally.

Positive and effective communication, internally and externally, is a key requirement for our success. The Group produces a variety of internal publications, newsletters and bulletins on a regular basis to supplement those issued by subsidiary companies. In addition, it is actively using alternative means of communication such as the well-established web site and the growing use of our intranet.

In return, the team shares the responsibility for developing new and better working methods to improve efficiency and productivity. Innovation in the technology we use, the work practices we adopt and in marketing the Group's services and products are essential if we are to develop and sustain a competitive advantage.

Equal opportunity

Entry into and progression within the Group is determined solely on the basis of merit and the needs of the business. All team members, regardless of age, ethnic background, marital status, gender or disability, are given an equal opportunity to progress.

Working safely

The Group safety department assists each business unit to develop and maintain effective safety management systems. Through effective monitoring by the Group executive committee, the safety department ensures that working practices are regularly reviewed with the aim of providing a safe operating environment for the team, our customers and the public.

Taking the environment seriously

Taylor Woodrow takes its responsibilities towards the environment seriously. The Grou has formed an environmental panel, which meets regularly, chaired by the main board director with reporting responsibility for environmental matters. In addition, each of our businesses has designated a director with responsibility for reporting on environmental matters. The environmental panel carries out an annual audit of the Group's performance on environmental issues.

Environmental seminars are undertaken to ensure that senior managers are kept informe on developments in environmental thinking. Every part of the business is covered by the Group's environmental policy which is communicated to everyone in the team. Our "Greenlight" newsletter keeps the team focused on the important issues and in touch with developments and initiatives around the world.

Supporting the local community

In all we do, we are keen to uphold values tha are socially desirable and we play our part in encouraging people to contribute directly to the world around them. The Group's sponsorship and support ranges from London annual Lord Mayor Show to Taywood Engineering's backing of the Young Engineers for Britain award scheme.

The Taylor Woodrow Charity Trust is the principal vehicle for the Group's programme charitable giving. Each year it selects a numbe of charitable causes to support. During 1998 some 70 organisations benefited from donations made by the Trust.

In addition, individual companies and tear members within the Group operate directly with charitable organisations to provide financial and practical support. For example, in the UK, Taywood Homes raised £60,000 for the National Prevention of Cruelty to Children and Taylor Woodrow Communities in Florida raised over $55,000 through "Closings for Kids".

Above:
One of the highlights of the Group's sponsorship programme is support for the annual House of Commons versus House of Lords tug-of-war event. Held in June, on Abingdon Green outside the Houses of Parliament, the event raised over £100,000 for Macmillan cancer relief, the charity that funds specialist Macmillan nurses and doctors.

Right:
As part of its programme of providing quality training and development, Taylor Woodrow companies are developing a range of National Vocational Qualifications in areas ranging from tunnelling to selling homes. For sales consultants the scheme covers every aspect of the job from presentation on site, demonstrating show homes, negotiating sales and after-sales service to competitor market research.

Directors and biographies

Colin J Parsons FCA
Non-executive chairman (65)
Appointed 1987

Joined Taylor Woodrow in 1959. Was president of Monarch Development Corporation and became Group chairman in 1992. Retires from the board after the 1999 AGM. He is president of the London Chamber of Commerce & Industry.

Keith R Egerton FRICS
Chief executive (56)
Appointed 1992

Joined Taylor Woodrow in 1991 and was appointed Group chief executive in November 1998. He chairs the Group executive committee and remains chairman of Taylor Woodrow Property Company Limited.

David A Green BSc (Econ.), FCA
Finance director (55)
Appointed 1988

Joined Taylor Woodrow in 1985, having gained wide international experience in financial management. He is also deputy chairman of Taylor Woodrow Property Company Limited and president of Taylor Woodrow, Inc.

Brian Abrahams
(52)
Appointed 1993

Joined Greenham Trading Limited in 1962. He is now its chairman and chief executive and is responsible for all the Greenham operations. He is also the director reporting on Group environmental matters.

Paul D Phipps
(46)
Appointed 1998

First joined Taylor Woodrow in 1970, rejoining in 1991 after a 10 year period with a competitor. He is chairman of Taywood Homes Limited and the main board director responsible for housing in the UK, Spain, Australia and California.

Bruce C Russell MSc, FICE,
MIStructE, FRSA
(54)
Appointed 1996

A civil engineer, he joined
Taylor Woodrow in 1969
He is chairman and mana
director of Taylor Woodr
Construction Limited. Ha
many years' experience o
managing major construc
projects worldwide.

Sir Kit McMahon
Deputy chairman (71)
Non-executive director
Appointed 1991

Senior independent non-executive director, he is chairman of the audit and remuneration committees and a member of the nomination committee. Formerly a deputy governor of the Bank of England, his current directorships include Aegis plc and FI Group plc.

Sir Colin Corness
Non-executive director (67)
Appointed 1997

He is a member of the audit, remuneration and nomination committees. Formerly chairman of the Redland Group, Nationwide Building Society and Glaxo Wellcome plc, his current directorships include Union Camp Corporation USA.

Dr Robert Hawley CBE, FIEE, FIMechE, FInstP, FEng, FRSE
Non-executive director (62)
Appointed 1998

He is chairman-designate and a member of the audit, remuneration and nomination committees. Formerly chief executive of British Energy plc, he is an advisor to HSBC Investment Bank plc and chairman of the Engineering Council.

Sir George Russell CBE
Non-executive director (
Appointed 1992

He is a member of the au
remuneration and nomin
committees. Formerly
chairman of Marley plc,
chairman of 3i Group pl
Camelot Group plc and
director of Alcan Alumin
Limited, Northern Rock
and Northern Developm
Company.

Directors' Report and Accounts

Report of the directors

to the members for the year ended 31 December 1998

The directors of Taylor Woodrow plc take pleasure in submitting their report, together with the audited accounts for the year ended 31 December 1998.

Activities

The company is the holding company of the Taylor Woodrow Group of subsidiary undertakings and joint ventures whose principal activities are those of housing, property development and investment, construction and the Greenham Trading operations.

A review of the Group's progress and prospects may be found in the Chairman's statement, the Chief executive's operating review and the Financial review on pages 2 to 17 inclusive.

Results and dividends

The Group's profit on ordinary activities for the financial year before taxation was £100.3 million. The profit after taxation and minority interests, was £68.2 million.

The interim and proposed final dividends for the year on the ordinary shares are as follows:

	£m
Interim paid 1.5p per share (1997 – 1.25p)	**6.0**
Proposed final 3.6p per share (1997 – 3.25p)	**14.5**
Total	**20.5**
Profit retained (1997 – £38.4m)	**47.7**

Directors

The names of all directors who hold office at the date of this report and changes which have occurred during 1998, together with details of their remuneration and other benefits and their interests in shares, options and contracts with the company appear in the Remuneration report on pages 27 to 30 inclusive.

Retirement and re-appointment of directors

Sir George Russell, Mr Brian Abrahams and Mr Colin Parsons, directors, retire by rotation at the annual general meeting. Dr Robert Hawley, who was appointed on 5 November 1998, retires in accordance with the articles of association.

Mr Parsons will be retiring from the company following the annual general meeting and accordingly does not seek re-appointment at that meeting. The other three directors, being eligible, offer themselves for re-appointment. Information concerning the service contracts of the directors appears in the Remuneration report on page 30.

Substantial interests

The following parties have informed the company that they hold the interests stated below in the ordinary share capital:

Name	No. of shares held (millions)	Percentage of issued share capital
Beneficial interests		
Schroder Investment Management Limited, Schroder Unit Trusts Limited and Schroders plc	**44.02**	**10.9**
Prudential Portfolio Managers Limited	**16.30**	**4.0**
Norwich Union plc, Norwich Union Life & Pensions and Norwich Irish Unit Trust	**12.63**	**3.1**
Standard Life Group	**11.70**	**3.0**

Up to 16 March 1999 no change in these holdings had been notified nor, according to the register of members, did any other shareholder at that date have a holding of three per cent or more of the issued capital.

Research and development

The Group continued its programme of research and development on construction technology and related processes.

Contributions for political and charitable purposes

During 1998, the Group made no contributions for political purposes.

Donations by the Group for charitable purposes amounted to £122,000.

Policy on payment of suppliers

It is Group policy in respect of suppliers: for Group subsidiaries to settle the terms of payment when agreeing the basis of each transaction or series of linked transactions; to make suppliers aware of the terms of payment, and in the absence of dispute and upon receipt of a valid request, for payments to be made as expeditiously as possible within such terms. Trade creditor days for the Group for the year ended 31 December 1998 were 44 days, based on the ratio of Group trade creditors (excluding subcontract retentions and unagreed claims of £16.1m) at the end of the year to amounts invoiced during the year by trade creditors. The company had no significant trade creditors at 31 December 1998.

Annual general meeting

The annual general meeting will be held at 11.30 a.m. on 11 June 1999. Formal notice and details of the meeting (including special business) are set out in a separate circular to shareholders which accompanies this annual report and accounts.

Auditors

Deloitte & Touche have confirmed their willingness to continue in office as auditors of the company and a resolution to re-appoint them will be proposed at the annual general meeting.

Corporate governance

A detailed statement of the company's corporate governance principles and a commentary on the Group's systems of internal control is set out in the section entitled "Corporate governance" on page 24. Other relevant details appear in the Remuneration report on page 27.

General

Save for any matters referred to elsewhere in this annual report and accounts, there have been no important events affecting the company or any of its subsidiary undertakings since the end of the financial year.

An authority conferred on 5 June 1998 for the company to purchase its own shares was in force at 31 December 1998 and remains valid until the conclusion of the forthcoming annual general meeting.

Subject to confirmation at the annual general meeting to be held on 11 June 1999, the final dividend for 1998 will be posted to members on Wednesday 30 June for payment on Thursday 1 July 1999. The record date for the final dividend is 14 May 1999.

The report of the directors was approved by the board of directors on 16 March 1999.

R I Morbey Secretary
16 March 1999

Corporate governance

The London Stock Exchange Combined Code

Taylor Woodrow plc attaches great significance to the maintenance of good corporate governance procedures, recognising that they play their part in creating a framework which can provide increased benefits for shareholders.

The London Stock Exchange Combined Code ("the Code") was introduced on 25 June 1998. Taylor Woodrow regards it as a valuable development of previous corporate governance arrangements, which the company had already embraced in recent years.

The London Stock Exchange Listing Rules require the board to report on compliance throughout the accounting period to 31 December 1998 with the Code provisions. Except for the one matter noted in this paragraph, the company complied throughout that period with the provisions set out in Section 1 of the Code. Until 5 November 1998, contrary to provision A2.1 of the Code, the roles of chairman and chief executive were combined. Further information, including details of the steps which the company has now taken to restructure the board, are set out below.

The board

A list of directors and their biographical details appears on page 20. The board of directors currently consists of five executive directors and five non-executive directors. The board has reviewed the status of the non-executive directors and has confirmed that it regards them as being independent, with the exception of Mr Colin Parsons, who was an executive director until 15 January 1999. The board meets at least ten times each year and convenes additional meetings to deal with major matters as and when these arise.

The board has established a formal schedule of matters which are specifically reserved to it for decision and has set up procedures under which the directors (including the non-executive directors) are familiarised with the Group's business operations and systems.

The appointment of directors follows a process in which the whole board is involved. The appointment of non-executive directors is for a specified term and reappointment is not automatic. In the three years up to and including the 1999 annual general meeting each director will have submitted himself for reappointment at least once.

The employment of each executive director is regulated by a contract of employment, terminable by the company by notice, the period of which in no case exceeds two years. Details of the directors' service contracts appear on page 30. All directors have access to the advice and services of the company secretary and the board has established a procedure whereby directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the company's expense.

Chairman and chief executive

Following the resignation of the former chief executive on 31 October 1997, Mr Colin Parsons, executive chairman, agreed to act as chief executive until a replacement had been appointed. At the same time, Sir Kit McMahon was appointed as deputy chairman and was designated as the senior independent non-executive director of the company.

The nomination committee then instigated a rigorous process to seek and recruit a chief executive. The process entailed the use of recruitment consultants to identify suitable external candidates and a detailed process of investigation and interview. In addition, executive directors of the company were given the opportunity to apply for the position. Following a careful process of evaluation, the nomination committee concluded in October 1998 that Mr Keith Egerton, an executive director of the company, was the most appropriate of all the candidates. His appointment as chief executive was confirmed at a meeting of the full board on 5 November 1998.

At the same time, the board adopted a recommendation of the nomination committee to appoint Dr Robert Hawley as a non-executive director of the company, with the stated intention that he should become part-time chairman upon Mr Parsons' retirement from the company after the annual general meeting on 11 June 1999.

Mr Parsons adopted a non-executive role upon attaining his 65th birthday on 15 January 1999 and will continue as chairman until he retires.

There is, and will continue to be after Dr Hawley succeeds Mr Parsons, a clearly-defined separation of the roles of the chairman and the chief executive. The chairman is responsible primarily for the working of the board and, together with the chief executive, guiding the development of corporate strategy. The chief executive is responsible for the implementation of agreed strategy and running the business.

Board committees

The board has established the following committees:

The Executive Committee. Chaired by the chief executive, it consists of all the executive directors of the company and Mr Tony Wilby, the managing director of Taylor Woodrow Property Company Limited, Mr John Latimer, the president of the Group's Canadian subsidiary, Monarch Development Corporation, and Mr Richard Morbey, the Group company secretary. It has a delegated authority to approve capital and other expenditure within defined limits. Proposals involving major undertakings or matters of strategic significance are subject to detailed review and approval by the main board. The executive committee is responsible for reviewing the financial and operational performance of all Group companies and divisions. It also establishes policy covering organisational and employment matters within the Group.

The Audit Committee consists of four non-executive directors: Sir Kit McMahon (chairman of the committee), Sir Colin Corness, Dr Robert Hawley and Sir George Russell.

The finance director and representatives of the external auditors routinely attend meetings of the committee. The chairman, chief executive and internal audit manager attend by invitation whenever required.

The committee has clearly-defined terms of reference. Its main functions include the review of all aspects of accounting policies applied by the Group, the evaluation of internal control systems and monitoring the internal audit function. It deals with the company's relationship with the external auditors including appointments and their remuneration and is responsible for reviewing all audit matters with them.

It examines changes in accounting practice and areas of judgement and undertakes a review of systems of internal control and risk management, further details of which appear later in this report.

The committee reviews, prior to their publication, interim and annual financial statements and major statements affecting the Group concerning price-sensitive information.

The committee has also approved a policy on employing the auditors to provide services other than audit services, which is to require a competitive tender except in narrowly-defined circumstances where the company considers that for confidentiality, past knowledge or other reasons, there is an advantage in using a single tender procurement procedure.

The Remuneration Committee consists of four non-executive directors: Sir Kit McMahon (chairman of the committee), Sir Colin Corness, Dr Robert Hawley and Sir George Russell.

Its principal function is to set the terms of employment and reward structure of the executive directors and other senior team members, including salary, pension and other employee benefits. The committee also decides discretionary share option awards and where applicable, compensation for loss of office. Matters dealt with by the committee are reflected in the board's Remuneration report to shareholders on page 27.

The Nomination Committee comprises Mr Colin Parsons (chairman of the committee), Sir Kit McMahon, Sir Colin Corness, Sir George Russell and, from 5 November 1998, Mr Keith Egerton and Dr Robert Hawley. Its remit includes consideration of senior board appointments, succession planning and related issues.

Internal control

The directors acknowledge that they are responsible for the Group's systems of internal control. The board of directors has established a clear and formal arrangement for the reviewing and monitoring of the effectiveness of the Group's systems of internal control. In fulfilling these responsibilities, the board has applied the criteria set out in the London Stock Exchange Combined Code.

It should be noted that this statement covers the wider aspects of internal control (including operational and compliance control and risk management) and not solely internal financial control. The directors' review has been performed before formal guidance has been issued as to the scope of such a review and the procedures to be undertaken and may not, therefore, constitute a review for the purposes of the Combined Code as ultimately interpreted.

Financial control

Internal financial controls and procedures are set out in procedures manuals. These include Group standards and policies for key control activities.

The executive committee has responsibility for preparing and reviewing a three-year corporate plan, annual budgets and monthly reporting of current year results in managing the business. These are subject to formal approval by the main board. Budgets are re-examined to ensure they are sufficiently robust to reflect the possible impact of changing economic circumstances.

The executive committee and the board conduct regular and systematic reviews of actual results with comparison against budget and prior year, together with various treasury reports including fortnightly cash and debt reports. Potential disputes that may give rise to significant litigation or contractual claims are also monitored monthly.

Investment and construction tender appraisal

The Group has clearly-defined guidelines for its investment in land, property and other significant assets. These include annual budgets together with detailed appraisal, authorisation and post-investment review procedures. During the year, a central commercial department and tender panel were established in the construction group, which independently vet all tenders proposed by the construction operating divisions. Tenders for construction contracts are subject to approval by the board,

Corporate governance

Continued

executive committee or subsidiary operating management, dependent on the contract value. Investments in Private Finance Initiative (PFI) projects require approval by the board.

Operating controls

The executive committee monitors performance of developments and projects and takes action to deal with any situations where performance falls short of target.

Compliance controls and risk management

In addition to the controls applied by the executive committee, the audit committee receives regular reports from the internal audit function covering all major operating areas of the Group. The internal audit manager has direct access to the audit committee.

In order to review internal controls and risk management strategies of all Group companies, the executive committee has established new business risk assessment procedures. The internal audit manager uses structured questionnaires and interviews with directors and other senior executives of the Group, the results of which are reviewed by the board and acted on appropriately.

The board will review these procedures when formal guidance for directors is produced in due course.

General

A system of internal control can only provide reasonable but not absolute assurance against material mis-statement or loss, and it relates only to the needs of the business at that time.

As a result of the directors' review and in the light of certain contract losses in UK construction, some areas for improvement were identified and appropriate actions, including improvements to our tender controls, were taken during the year. None of the areas identified for improvement during the year has resulted in material losses or contingencies requiring disclosure as recommended by "Guidance for Directors".

Year 2000

The board recognises that all businesses face significant risk in connection with Year 2000 compliance. In March 1996, the company instigated a programme to survey all installed systems within the Group. By 31 December 1998, the board had received confirmation that virtually all of the Group's systems had been modified or upgraded to make them Year 2000 compliant. Those which were non-compliant at that date are planned to be upgraded or replaced during the first half of 1999. Many of the modifications are being dealt with as part of our normal investment in system upgrades. The separately identifiable costs are not material to the Group. The company has also substantially completed a formal review process to satisfy itself that the impact on the business of the "Millennium bug" on supplied systems and installations should be minimal.

Pensions

The Group's main UK pension fund is a defined benefit scheme, the Trustee of which is Team Nominees Limited, a corporate trustee in which the Group has no shareholding. The directors of the Trustee are serving and retired team members, including two elected member-nominated directors appointed pursuant to the Pensions Act 1995. The bulk of the fund's assets are invested in segregated funds managed by Standard Life Investments Limited and Phillips & Drew Fund Management Limited and they are held separately from the assets of the Group.

At 31 December 1998, the fund held 200,000 shares in Taylor Woodrow plc, representing approximately 0.09% of the value of the fund and approximately 0.05% of the company's issued share capital at that date. Details of the main features of the UK scheme are contained in note 29 on the accounts.

There is no special pension fund for executive directors, all of whom participate in the main UK fund. Certain executive directors of the company, including one director who is subject to the Inland Revenue pension "cap", are entitled to enhanced pension benefits, for which supplementary funding has been arranged. Details of the directors' accrued pension entitlements and the transfer values of their 1998 increases in accrued pension rights are shown on page 28.

Investor relations

The board operates a structured programme of investor relations, based on formal announcements and publications of the full year and interim results with an associated series of conferences and meetings for institutions, stockbroking analysts and the press. The opportunity is also taken when practicable to maintain a dialogue with institutional and other shareholders in order to establish a mutual understanding of objectives.

Annual general meeting

The annual general meeting is used as a valuable opportunity for private and other shareholders to meet and communicate with the board and develop a better understanding of the company's operations and prospects. Since 1996 a director or executive of the company has given a formal presentation to shareholders at the meeting, commenting on a selected aspect of the business.

Remuneration report

Policy on executive directors' remuneration

The remuneration committee, whose members are listed on page 25, has given full consideration to the provisions of the London Stock Exchange Combined Code. It recognises that remuneration should be sufficient to attract and retain the directors and executives needed to run the company successfully.

The Taylor Woodrow Group of Companies comprises a range of distinct but complementary business activities. The remuneration strategy, the reward packages of individual directors and the targets for executive bonuses are based against prevailing industry levels in those businesses. Generally, remuneration levels are set at or around the relevant median established from published data and advice from remuneration consultants. No director is involved in deciding his own remuneration.

A substantial proportion of the executive directors' remuneration is dependent on the achievement of performance targets imposed by the remuneration committee under the Executive Bonus Plan. The plan is structured so as to relate rewards to corporate and individual performance and is based on a range of financial, operational and personal targets against which each director's performance is to be measured.

The financial targets are significantly more demanding than the company's own budgets. The operational targets will typically include a requirement to provide for the longer-term direction and growth of the business.

Measurement of a director's performance against all targets includes an assessment of performance and will disregard factors of a short-term nature.

Bonus awards are decided early in the following year. 50% of the award is required to be taken in the form of a deferred option, granted by the trustee of the Taylor Woodrow Employee Share Ownership Plan (ESOP) to receive shares of the company. Any such option is normally not exercisable until two years after grant. Directors can choose to receive the remainder of their bonus in cash or in the form of a qualifying option, granted by the trustee of the ESOP, over additional shares of the company, such shares carrying the right (if the option remains unexercised for three years) to receive a matching award of one additional share for every two qualifying shares so held.

Directors' bonuses and benefits in kind are not pensionable. Details of 1998 bonuses and options awarded pursuant to the Executive Bonus Plan appear in the table of directors' remuneration on page 28 and interests in shares on page 29.

The company's policy on contracts of service forms an integral element of the overall remuneration strategy, designed to reward and retain executive team members on a basis appropriate to its industry sector. Whilst the company is aware that there may be a case for setting notice or contract periods at or reducing them to one year or less, the board considers that it would not be appropriate to set this as an immediate objective. Details of the directors' service contracts appear on page 30.

Directors' interests in contracts

During the year, Mr C J Parsons and Mr P D Phipps, directors, respectively entered into contracts for the purchase of Apartment 42, Teal Court, The City Quay, St Katharine by the Tower, London, E1 from Taylor Woodrow Capital Developments Limited for £290,000 and Apartment B65, Los Piños, Urb Los Arqueros, 29679, Benahavis, Malaga, Spain from TW Baleares SA for Ptas 21,300,000. The terms of the proposed purchases were approved by shareholders in accordance with Section 320, Companies Act, 1985, at the company's annual general meeting held on 5 June 1998.

Save as disclosed, no other contracts subsisted during or at the end of the financial year in which any director of the company has or had a material interest.

Share options

Executive share option plans

It is the company's policy to make selective awards of executive share options as an incentive to directors and senior team members whose task is to make a tangible and significant contribution to Group profitability. Generally, options are granted on a phased basis. During 1998 the only executive option which was granted was in favour of Mr K R Egerton. Details appear in the table of directors' share options. No executive options are granted at a discount to market value.

Options granted under the Taylor Woodrow Executive Share Option Plan since its adoption in 1996 are subject to performance criteria, which permit the options to be exercised only if the company's earnings per share have at least equalled the growth in the Retail Prices Index plus 6% measured over the three-year period immediately preceding the date of exercise.

Savings-Related Share Option Scheme

The Group operates a Savings-Related Share Option Scheme in which all team members working in the UK are eligible to participate if they have worked for the Group for two years or more.

Remuneration report

Continued

	Directors' remuneration					Directors' pension benefits		
	Salary £000	Bonus† £000	Benefits in kind £000	1998 Total £000	1997 Total £000	Increase in accrued pension during 1998ø £000	Transfer value of increase# £000	Accumulated total accrued pension at 31 December 1998 £000
C J Parsons (chairman)	342*	112	9	463	398	7	135	182
K R Egerton (chief executive)	187	80	12	279	238	7	102	60
D A Green	184	70	12	266	254	16	197	115
B Abrahams	156	59	11	226	220	12	125	104
P D Phipps (from 5 March 1998)	135§	60	7	202	–	2	9	13
B C Russell	167	40	9	216	188	33	387	113
M Laycock (retired 31 December 1998)	159	35	18	212	215	5	149	106
H A Palmer (to 6 June 1997)	–	–	–	–	158			
J C Castle (from 6 June to 31 October 1997)	–	–	–	–	117			
	1,330	456	78	1,864				
1997	1,288	400	100		1,788			
Payment to Mr M Laycock following retirement from office				50	–			
Payment to Mr H A Palmer following retirement from office				–	125			
Payment to Mr J C Castle for compensation for loss of office				–	520			
Non-executive directors' fees‡								
Sir Kit McMahon				50	42			
Sir George Russell				25	25			
Sir Colin Corness (from 6 March 1997)				25	21			
Lord Hambro (to 6 June 1997)				–	11			
Dr R Hawley (from 5 November 1998)				4	–			
				104	99			
				2,018	2,532			

Notes on remuneration

The total emoluments of the highest-paid director, C J Parsons, were £463,000 (1997 – £398,000).

* Includes a non-pensionable ex-gratia payment of £33,000 (1997 – £17,000) in relation to employee's pension contributions incurred by Mr Parsons consequent upon the transfer of his employment to the UK in 1992.

§ Includes a non-pensionable salary supplement of £11,000 (1997 – Nil) in respect of a proportion of salary in excess of the Inland Revenue pensionable salary cap.

† The bonuses for executive directors serving at the end of the year were awarded under the terms of the Taylor Woodrow Group Executive Bonus Plan, (described above). Half of the bonus must be taken as a deferred award in the form of options in respect of approximately 97,300 ordinary shares of the company. The remainder is distributable partly in cash of £5,000 (1997 – £24,000) from the approved profit related pay scheme, and the balance is to be awarded partly in the form of qualifying options over approximately 71,200 shares of the company, these latter shares carrying the right, subject to certain conditions, to receive a matching award of a further approximately 35,600 shares and partly in cash of £183,000. The options would be granted by the trustee of the Taylor Woodrow Group ESOP Trust.

Directors who are close to retirement receive their bonus wholly in cash.

‡ No non-executive director is entitled to any pension benefits from the company.

Notes on pension benefits

The accrued pension shown is that to which each director is entitled under the terms of his contract. It represents the amount which will be paid annually at contractual retirement age, based on service to 31 December 1998. These benefits are provided from the Taylor Woodrow Group Pension and Life Assurance Fund, a defined benefit scheme, and, if applicable, from supplementary pension arrangements.

A provision of £297,000 has been made in the accounts in respect of the unfunded element of C J Parsons' accrued pension entitlement as at 31 December 1998 shown above.

ø The increase in the accrued pension during 1998 excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with GN11 less any directors' contributions. The transfer value does not represent a sum paid or payable to the individual director. Instead it represents a potential liability of the Pension Fund or supplementary arrangements.

Members of the fund have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above total.

Directors' interests in shares of the company and its subsidiary undertakings

Taylor Woodrow plc 25p ordinary shares	Shares held (fully paid)		Options held				
	At 1 Jan 1998	At 31 Dec 1998	At 1 Jan 1998	Granted during 1998	SAYE options exercised during 1998	Bonus Plan options exercised during 1998	At 31 Dec 1998
C J Parsons	130,348	150,321	381,009	79,706	17,968†	–	442,747
K R Egerton	17,890	28,671	159,247	299,500	10,781†	–	447,966
D A Green	336,355	354,323	150,046	59,740	17,968†	–	191,818
B Abrahams	20,000	10,000	133,483	52,633	–	–	186,116
Sir Colin Corness	20,216	20,713	–	–	–	–	–
Dr R Hawley	–*	6,100	–*	–	–	–	–
Sir Kit McMahon	28,763	28,763	–	–	–	–	–
P D Phipps	–*	5,060	149,019*	33,023	17,968†	6,250ø	157,824
B C Russell	14,298	14,298	138,033	33,579	–	–	171,612
Sir George Russell	10,341	10,596	–	–	–	–	–
M Laycock	39,094	58,027	197,405	34,361	17,968†	–	213,798

* on appointment

† Exercised on 30 November 1998 at 96p per share. Middle market quotation that day was 161p.

ø Exercised on 25 March 1998 at nil consideration per share. Middle market quotation that day was 234.5p.

The aggregate amount of notional gains made by these directors at the date of exercise of their option/s was £68,000 (1997 – £398,000). The highest-paid director made a notional gain of £12,000 (1997 – £208,000) on options exercised.

At 31 December 1998 each executive director had a notional additional interest in 691,283 ordinary shares of the company, being part of an unappropriated holding by the trustee of the Taylor Woodrow Group ESOP Trust in connection with the executive bonus plan, details of which appear above. At the same date, the trustee's total shareholding was 1,597,110 ordinary shares, representing 0.4% of the issued share capital.

Directors' interests in shares of Monarch Development Corporation

C J Parsons and D A Green held respectively 302,540 and 19,550 common shares of no par value at both 1 January and 31 December 1998.

Other information

Between 1 January and 15 January 1999, the trustee of the Taylor Woodrow Group ESOP Trust purchased 350,000 ordinary shares, in which the executive directors also have a notional interest. On 9 March 1999, B Abrahams exercised an option under the Savings-Related Share Option Scheme in respect of 17,968 shares. Apart from those purchases, during the period 1 January to 16 March 1999 no transactions were conducted in the shares of the company or of Monarch Development Corporation in which any director was interested.

Except for the notional interests referred to above, all the directors' interests are held beneficially.

The middle market quotation of the ordinary shares was 150.5p at 31 December 1998 (1997 – 178.5p) and ranged between 133.5p and 237p during 1998.

Remuneration report

Continued

Options held by directors in shares of the company

	Senior Executives' Share Option Scheme			Executive Share Option Plan			
Exercise price per share	116.2p	107.2p	117.4p	156.5p	149p	189.5p	157p
C J Parsons	151,807	74,626	–	50,000	–	39,578	–
K R Egerton	–	–	25,000	50,000	–	39,578	250,000
D A Green	–	–	15,000	50,000	–	39,578	–
B Abrahams	–	–	15,000	50,000	–	39,578	–
P D Phipps	–	–	14,625	41,310	8,610	52,771	–
B C Russell	–	–	14,625	50,000	–	39,578	–
M Laycock	25,817	75,559	14,625	50,000	–	–	–
Exercisable from:	26.5.95	11.5.96	10.10.97	7.11.99	22.11.99	28.10.00	20.11.01
to:	25.5.02	10.5.03	9.10.04	6.11.06	21.11.06	27.10.07	19.11.08

	Executive Bonus Plan			Savings-Related Share Option Scheme				Totals
	Deferred Award	Qualifying Award	Matching Award					(all schemes)
Exercise price per share	nil	nil	nil	96p	108p	85.6p	130p	
C J Parsons	50,606	45,753	22,877	–	–	–	7,500	**442,747**
K R Egerton	31,912	27,059	13,529	–	6,388	–	4,500	**447,966**
D A Green	32,500	27,647	13,824	–	–	–	13,269	**191,818**
B Abrahams	28,290	14,674	7,337	17,968	–	–	13,269	**186,116**
P D Phipps	11,765	14,109	7,054	–	–	–	7,500	**157,824**
B C Russell	22,169	16,727	8,362	–	–	20,151	–	**171,612**
M Laycock	22,169	17,086	8,542	–	–	–	–	**213,798**
Exercisable from:	25.3.99	25.3.97	25.3.00	30.11.98	28.11.99	1.12.00	1.12.01	
to:	23.3.05	23.3.05	23.3.05	30.5.99	27.5.00	31.5.01	31.5.04	

Directors' service contracts

The following directors have service contracts with the company.

Name	Period of notice	Unexpired term at 16 March 1999
K R Egerton	Not less than 12 months expiring on 1 December in any year	20.5 months
D A Green B Abrahams B C Russell P D Phipps	24 months, with a limit of damages for wrongful termination of contract by the company equivalent to 1.8 years' salary and benefits	24 months

ectors' responsibilities for the accounts

y law requires the directors to prepare accounts for ancial year which give a true and fair view of the ffairs of the company and the Group as at the end nancial year and of the profit or loss of the Group period. In preparing those accounts, the directors uired to:

ect appropriate accounting policies and then apply consistently;

ke judgements and estimates that are reasonable and dent;

— state whether applicable accounting standards have been followed;

— prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records. They are also responsible for the Group's system of internal financial control and for taking such steps as are reasonably open to them to safeguard the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

port of the auditors to the members of Taylor Woodrow plc

ve audited the accounts and notes on pages 32 to 49 h have been prepared under the accounting policies set on pages 32 and 33 and the detailed information osed in respect of any directors' remuneration, share ons and long-term incentive schemes set out on es 28 to 30 of the remuneration report.

spective responsibilities of directors and auditors

he directors are responsible for preparing the annual report, ncluding as described above the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the statement on page 24 reflects the compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the corporate governance procedures or the Group's internal controls.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the Group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts and notes give a true and fair view of the state of the affairs of the company and the Group as at 31 December 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche. Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House, 1 Little New Street, London EC4A 3TR
16 March 1999

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.

Basis of the accounts

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention modified by the revaluation of certain properties. As permitted by the Companies Act 1985 the company has not presented its own profit and loss account.

Basis of consolidation

The accounts consolidate the accounts of the company and its subsidiary undertakings and include the Group's share of the results and post-acquisition reserves of its joint ventures. Goodwill on acquisition of subsidiary undertakings before 1998 has been written off against retained profit and loss account in prior years.

Turnover

Turnover comprises the value of contracting work executed during the year, plus sales of private housing and development properties on legal completion, gross rents receivable and the invoiced value of other sales.

Profit on ordinary activities for the year

The profit for the year includes the result of the year's operations together with residual profits in respect of work done in prior years. Profit on contracts is stated after provision for known losses and contingencies. No credit is taken for claims until the cash is received. The Group's share of results of joint ventures includes those of joint ventures which have invested in Private Finance Initiative projects; such results are included on the basis that interest payable during the construction phase of these projects, where financed by specific borrowings, is capitalised.

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.

Liquid resources

Liquid resources include deposits repayable after more than one day and current asset investments.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes all direct costs and production overheads where appropriate.

Fixed assets

Investment properties are valued annually. Fixed asset properties are valued every three years. Long leasehold properties are defined as those properties with an unexpired lease term of more than 50 years.

Net surpluses on valuations of investment properties are credited to revaluation reserve. Any permanent diminution in value of investment properties below cost is charged to profit and loss account. No depreciation is provided on investment properties; this constitutes a departure from the statutory rules requiring fixed assets to be depreciated over their useful lives and is necessary to enable the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Surpluses on valuations of fixed asset properties are credited to revaluation reserve and any deficits below original cost are written off to profit and loss account. Depreciation is provided where material on fixed asset properties on the cost or valuation less estimated residual value so as to write them off systematically over their useful economic lives.

Mineral rights are depreciated in line with the extraction of minerals. 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 20 years.

Deferred taxation

Deferred taxation is provided at the latest known tax rates for future liabilities resulting from the difference between the treatment of items in the accounts and their treatment for taxation purposes.

Deferred taxation is provided on the profits of overseas subsidiary undertakings and joint ventures where the local tax charge is at a low rate.

The potential liability to taxation on the surpluses on valuations of properties is not provided for in these accounts except in respect of properties sold since the year end.

Joint ventures

A joint venture is defined as an undertaking other than a subsidiary or associated undertaking in which the Group has a significant influence and which is jointly controlled by the joint venturers.

The Group's share of the post-acquisition results of joint ventures is shown in the consolidated profit and loss account.

Investments in joint ventures are included in the consolidated balance sheet at cost plus the appropriate shares of post-acquisition results and reserves as disclosed in the latest balance sheets.

Group undertakings

Investments are included in the parent company's balance sheet at cost less the Group's share of any post-acquisition losses and provision for any further permanent diminution in value.

Overseas currencies

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

Profit and loss accounts of overseas subsidiary undertakings, joint ventures and branches are translated into sterling at average rates. Assets and liabilities are translated at exchange rates ruling at the balance sheet date.

Unrealised exchange differences on share capital, revaluation reserve, pre-acquisition retained profit and loss account and inter-company long-term loans are taken to revaluation reserve without provision for taxation.

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

Pensions

Pension contributions are charged in the accounts so that the expected costs of providing pensions are recognised during the period of team members' service.

Consolidated profit and loss account

for the year ended 31 December 1998

	£m	1998 £m	1997 £m	notes
Continuing operations				
Turnover: Group and share of joint ventures		**1,408.0**	1,306.1	
Less: share of joint ventures' turnover		**(7.5)**	(10.4)	
Group turnover		**1,400.5**	1,295.7	1
Cost of sales		**(1,157.0)**	(1,086.7)	
Gross profit		**243.5**	209.0	
Distribution costs		**(39.9)**	(37.4)	
Administrative expenses		**(93.4)**	(86.5)	
Group operating profit		**110.2**	85.1	
Share of operating profit in joint ventures		**0.7**	0.4	
Profit on disposal of properties and investments		**–**	5.2	
Profit on ordinary activities before interest		**110.9**	90.7	
Interest receivable		**10.2**	9.1	
Interest payable: Group (1997 – £17.7m)	**(20.5)**			
Joint ventures (1997 – £nil)	**(0.3)**			
		(20.8)	(17.7)	3
Profit on ordinary activities before taxation		**100.3**	82.1	1-2
Tax on profit on ordinary activities		**(26.6)**	(20.7)	6
Profit on ordinary activities after taxation		**73.7**	61.4	
Minority equity interests		**(5.5)**	(5.2)	
Profit for the financial year		**68.2**	56.2	
Dividends paid and proposed		**(20.5)**	(17.8)	7
Profit retained		**47.7**	38.4	26
Basic earnings per share		**17.1p**	14.2p	8
Diluted earnings per share		**16.9p**	14.0p	8

Consolidated statement of total recognised gains and losses

for the year ended 31 December 1998

	£m	£m
Profit for the financial year	**68.2**	56.2
Unrealised surplus on revaluation of properties	**21.1**	36.4
	89.3	92.6
Currency translation differences on foreign currency net investments	**(6.2)**	(4.9)
Total recognised gains and losses relating to the year	**83.1**	87.7

Historical cost profits and losses	£m	£m
Reported profit on ordinary activities before taxation	**100.3**	82.1
Realisation of property revaluation (deficits)/surpluses of previous years	**(3.4)**	1.9
Historical cost profit on ordinary activities before taxation	**96.9**	84.0
Historical cost profit for the year retained after taxation, minority interests and dividends	**44.3**	40.3

Consolidated balance sheet

at 31 December 1998

	£m	1998 £m	1997 £m	notes
Fixed assets				
Tangible assets				
Investment properties		**397.1**	387.6	9
Other		**103.9**	103.6	10
Investments				
Joint ventures				
Share of gross assets (1997 – £51.9m)	**59.3**			
Share of gross liabilities (1997 – £49.9m)	**(55.8)**			
		3.5	2.0	13
		504.5	493.2	
Current assets				
Stocks		**665.4**	511.8	14
Debtors		**187.6**	201.9	15
Current asset investments		**4.4**	1.4	16
Cash at bank and in hand		**81.2**	152.1	
		938.6	867.2	
Creditors: amounts falling due within one year		**(476.8)**	(490.8)	17
Net current assets		**461.8**	376.4	
Total assets less current liabilities		**966.3**	869.6	
Creditors: amounts falling due after one year		**(202.0)**	(177.3)	18
Provisions for liabilities and charges		**(11.1)**	(10.2)	21
		753.2	682.1	
Minority interests in equity of subsidiary undertakings		**(69.5)**	(69.4)	
Shareholders' funds		**683.7**	612.7	27
Represented by:				
Capital and reserves - equity				
Called up ordinary share capital		**100.7**	99.3	22
Capital redemption reserve		**8.4**	8.4	23
Share premium account		**231.3**	224.8	24
Revaluation reserve		**94.4**	72.2	25
Profit and loss account		**248.9**	208.0	26
		683.7	612.7	

The accounts were approved by the board of directors on 16 March 1999.
Signed on behalf of the board of directors
C J Parsons director
D A Green director
16 March 1999

C J Parsons
D. A. Green

Company balance sheet

at 31 December 1998

	1998 £m	1997 £m	notes
Fixed assets			
Tangible assets	**3.7**	2.2	10
Investments			
Group undertakings	**510.8**	503.8	12
	514.5	506.0	
Current assets			
Debtors	**274.2**	213.2	15
Current asset investments	**4.4**	1.4	16
Cash at bank and in hand	**5.4**	39.6	
	284.0	254.2	
Creditors: amounts falling due within one year	**(143.2)**	(156.3)	17
Net current assets	**140.8**	97.9	
Total assets less current liabilities	**655.3**	603.9	
Creditors: amounts falling due after one year	**(98.2)**	(99.6)	18
Shareholders' funds	**557.1**	504.3	
Represented by:			
Capital and reserves – equity			
Called up ordinary share capital	**100.7**	99.3	22
Capital redemption reserve	**8.4**	8.4	23
Share premium account	**231.3**	224.8	24
Revaluation reserve	**10.4**	10.4	25
Profit and loss account	**206.3**	161.4	26
	557.1	504.3	

The accounts were approved by the board of directors on 16 March 1999.
Signed on behalf of the board of directors

C J Parsons director

D A Green director

16 March 1999

Consolidated cash flow statement

for the year ended 31 December 1998

	1998 £m	1998 £m	1997 £m	1997 £m	notes
Operating activities					
Cash flow from operating activities		(47.2)		50.7	28
Returns on investments and servicing of finance					
Interest received	10.4		8.9		
Interest paid	(19.7)		(16.9)		
Dividends from joint ventures	0.3		0.6		
Dividends paid by subsidiary undertakings to minority shareholders	(0.7)		(0.8)		
Net cash outflow from returns on investments and servicing of finance		(9.7)		(8.2)	
Taxation					
UK Corporation tax paid	(6.7)		(0.9)		
Overseas tax paid	(16.7)		(10.3)		
Tax paid		(23.4)		(11.2)	
Capital expenditure and financial investment					
Purchase of fixed assets and properties	(34.8)		(28.2)		
Sale of fixed assets and properties	17.8		39.8		
Net cash (outflow)/inflow from capital expenditure and financial investment		(17.0)		11.6	
Equity dividends paid		(18.9)		(14.6)	
Net cash (outflow)/inflow before use for liquid resources and financing		(116.2)		28.3	
Management of liquid resources					
Cash withdrawn from/(placed on) short-term deposit	45.9		(41.2)		
Purchase of current asset investments	(3.0)		(1.0)		
Net cash inflow/(outflow) from management of liquid resources		42.9		(42.2)	28
Financing					
Issue of ordinary share capital by Taylor Woodrow plc	7.8		4.5		
Debt due within one year:					
new loans	5.7		9.5		
repayment of loans	(8.7)		(14.2)		
Debt due after one year:					
new loans	51.0		39.4		
repayment of loans	(15.4)		(18.5)		
Net cash inflow from financing		40.4		20.7	
(Decrease)/increase in cash in the year		(32.9)		6.8	2

Notes on the accounts

1 Segmental analysis

	Turnover by origin		Profit before taxation		Net assets	
	1998	1997 as restated	1998	1997 as restated	1998	1997 as restated
By activity	£m	£m	£m	£m	£m	£m
Housing	**540.4**	470.6	**56.3**	40.8	**372.7**	337.2
Property development and investment	**87.7**	93.6	**22.9**	21.4	**324.2**	292.6
Construction	**613.5**	579.3	**6.1**	5.3	**14.6**	(6.3)
Greenham Trading	**139.8**	134.5	**8.7**	8.3	**38.4**	36.8
Other	**19.1**	17.7	**6.3**	6.3	**46.2**	64.4
	1,400.5	1,295.7	**100.3**	82.1	**796.1**	724.7
By market						
Canada	**68.1**	83.2	**10.2**	14.8	**90.4**	92.3
United States of America	**250.8**	206.0	**27.7**	13.5	**171.1**	154.9
Rest of the world	**175.2**	202.5	**8.3**	4.4	**50.1**	73.0
Total overseas	**494.1**	491.7	**46.2**	32.7	**311.6**	320.2
United Kingdom	**906.4**	804.0	**54.1**	49.4	**484.5**	404.5
	1,400.5	1,295.7	**100.3**	82.1	**796.1**	724.7
Taxation on profits creditors (including deferred taxation)					**(28.4)**	(29.7)
Dividend creditor					**(14.5)**	(12.9)
Minority interests					**(69.5)**	(69.4)
Shareholders' funds					**683.7**	612.7

The segmental analysis has been changed to include Australia within Rest of the world. The effect is to increase Rest of the world turnover by £13.5m (1997 – £14.1m), profit before taxation by £1.4m (1997 – £2.3m) and net assets by £36.9m (1997 – £38.8m). The Australian segment is no longer shown separately, reflecting the decline in its relative significance. Comparative figures for 1997 have been restated accordingly.

Turnover by origin represents sales to third parties and is not materially different from turnover to third parties by destination.

2 Ordinary profit before taxation

	1998 £m	1997 £m
Ordinary profit before taxation includes		
Rents on investment properties, less outgoings	**32.8**	32.8
And is after charging		
Plant hire	**12.5**	16.7
Research and development (net of contributions received of £0.5m; 1997 – £1.0m)	**0.3**	1.0
Auditors' remuneration for external audit services (including UK £0.6m; 1997 – £0.6m)	**0.8**	0.9
Auditors' remuneration for other services (including UK £0.5m; 1997 – £0.5m):		
Internal audit	**0.1**	0.1
Consulting and other services	**0.6**	0.5
Depreciation – plant (net of profit on disposal £2.0m; 1997 – £0.7m)	**12.7**	21.4
– mineral rights	**0.4**	0.4

3 Interest payable

	1998 £m	1997 £m
Bank loans and overdrafts	**4.3**	2.1
Other loans	**16.2**	15.6
Group interest payable	**20.5**	17.7

The Group's share of joint venture net interest payable of net £0.3m (1997 – £nil) is stated after capitalising joint venture interest of £2.8m (1997 – £1.2m).

4 Directors' emoluments

Details of directors' emoluments are contained in the remuneration report on pages 27 to 30.

5 Particulars of team members

	1998	1997
Average number employed		
Housing	**1,021**	874
Property development and investment	**287**	291
Construction	**6,498**	7,390
Greenham Trading	**1,115**	1,073
Other	**237**	237
	9,158	9,865
United Kingdom	**4,887**	4,684
Overseas	**4,271**	5,181
	9,158	9,865

	£m	£m
Remuneration		
Wages and salaries	**141.8**	133.4
Social security costs	**11.6**	10.9
Other pension costs	**7.7**	6.8
	161.1	151.1

6 Tax on profit on ordinary activities

	£m	£m
United Kingdom tax		
Corporation tax	**15.9**	8.1
Relief for overseas tax	**(6.2)**	(0.4
Overseas tax		
Current	**16.4**	12.4
Deferred	**(0.2)**	0.5
Joint ventures	**0.7**	0.1
	26.6	20.7

The tax charges are below standard rates mainly due to the utilisation of tax losses.

Notes on the accounts

Continued

7 Ordinary dividends on equity shares	1998 £m	1997 £m
Interim of 1.5p per share (1997 – 1.25p)	**6.0**	4.9
Proposed final of 3.6p per share (1997 – 3.25p)	**14.5**	12.9
	20.5	17.8

The interim and final dividends for 1997 were paid as foreign income dividends.

8 Earnings per share	£m	£m
Earnings per share has been calculated by dividing:		
Profit for the financial year	**68.2**	56.2
by the weighted average number of shares		
for basic earnings per share	**397.9m**	395.5m
weighted average of dilutive options	**4.3m**	6.2m
weighted average of dilutive awards under the Group Executive Bonus Plan	**0.8m**	0.3m
for diluted earnings per share	**403.0m**	402.0m

9 Investment properties	Freehold £m	Long leasehold £m	Total £m
Cost and valuation			
31 December 1997	277.4	110.2	387.6
Changes in exchange rates	(5.3)	–	(5.3)
Additions	4.9	–	4.9
Transfers	(1.7)	(1.6)	(3.3)
Disposals	(9.7)	(0.1)	(9.8)
Net surplus on valuation	19.3	3.7	23.0
31 December 1998	284.9	112.2	397.1
Representing			
Properties valued			
Cost	226.4	83.2	309.6
Net surplus	58.5	29.0	87.5
Valuation in 1998	284.9	112.2	397.1

The investment properties of the Group were valued at £397.1m as at 31 December 1998 by the following valuers, on an open market basis:

Canada – Stewart, Young, Hillesheim & Atlin Limited	C$168.0m equivalent £65.6m
Gibraltar – a team member who is a Fellow of the Royal Institution of Chartered Surveyors	£1.1m
United Kingdom – Knight Frank	£328.8m
United Kingdom – a team member who is an Associate of the Royal Institution of Chartered Surveyors	£1.6m

Investment property valuations in Gibraltar and the United Kingdom were undertaken by Chartered Surveyors (external unless noted as team members) in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

10 Other tangible assets

Cost and valuation	Properties: Freehold £m	Properties: Long leasehold £m	Mineral rights £m	Plant £m	Total £m
31 December 1997	44.5	3.3	7.9	156.4	212.1
Changes in exchange rates	(0.2)	–	–	(0.1)	(0.3)
Additions	1.4	0.9	–	25.7	28.0
Disposals	(0.8)	–	(0.4)	(38.6)	(39.8)
31 December 1998	44.9	4.2	7.5	143.4	200.0
Representing					
Properties valued					
Cost	26.2	2.0	–	–	28.2
Net surplus	15.9	1.2	–	–	17.1
Valuation in 1997	42.1	3.2	–	–	45.3
Others not valued					
Cost	2.8	1.0	7.5	143.4	154.7
Depreciation					
31 December 1997	–	–	2.1	106.4	108.5
Disposals	–	–	(0.4)	(27.1)	(27.5)
Charge for year	–	–	0.4	14.7	15.1
31 December 1998	–	–	2.1	94.0	96.1
Net values					
31 December 1998	44.9	4.2	5.4	49.4	103.9
31 December 1997	44.5	3.3	5.8	50.0	103.6

The other tangible assets of the Group include those of the company which are a freehold property at cost in 1998 of £1.5m, a long leasehold property at valuation made by Knight Frank in 1997 of £2.1m (see below) representing cost of £1.8m and surplus of £0.3m and plant at cost of £0.1m (1997 – £0.1m).

The valuations of fixed asset properties as at 31 December 1997 were made by the following valuers, on an existing use value basis, and those valuations, as adjusted for sales, amounted to £45.3m:

		Equivalent
Australia – J L W Advisory Services Pty. Limited	A$5.3m	£2.0m
Canada – Stewart, Young, Hillesheim & Atlin Limited	C$3.8m	£1.5m
Denmark – ADBO Ejendomsmaeglerfirma MDE	DKr15.8m	£1.5m
Gibraltar – Vail Williams	£0.5m	£0.5m
Ireland – Gunne Property Consultants	IR£0.7m	£0.6m
United Kingdom – Knight Frank	£38.3m	£38.3m
United States of America – Edward R. Thatcher	US$1.5m	£0.9m

Fixed asset property valuations in Gibraltar and the United Kingdom were undertaken by external Chartered Surveyors in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

11 Future capital expenditure not provided for in the accounts

	1998 £m	1997 £m
Contracts placed	**4.5**	19.4

These amounts are wholly in respect of subsidiary undertakings. The Group's share of joint venture contracts placed was £5.7m (1997 – £9.5m).

Notes on the accounts

Continued

12 Investments in Group undertakings

	Shares unlisted £m
Cost	
31 December 1997	561.7
Additions	6.3
Disposals	(17.6)
31 December 1998	550.4
Amounts provided	
31 December 1997	57.9
Reductions	(18.3)
31 December 1998	39.6
Net values	
31 December 1998	510.8
31 December 1997	503.8

13 Investments in joint ventures

	Shares unlisted £m	Share of reserves £m	Total £m
Cost and share of reserves			
31 December 1997	0.9	1.9	2.8
Changes in exchange rates	–	(0.1)	(0.1)
Additions	1.5	1.3	2.8
Reductions	(0.6)	(0.1)	(0.7)
31 December 1998	1.8	3.0	4.8
Amounts provided			
31 December 1997	0.8	–	0.8
Reductions	(0.6)	–	(0.6)
Charge for year	1.1	–	1.1
31 December 1998	1.3	–	1.3
Net values			
31 December 1998	0.5	3.0	3.5
31 December 1997	0.1	1.9	2.0

The directors' estimate of the value of unlisted investments was £3.5m (1997 – £2.0m).
Dividends received from joint ventures were £0.3m (1997 – £0.6m).
Group undertakings are participants in contracts to design, build and maintain Public Finance Initiative projects for the following joint venture companies:

	Taylor Woodrow plc interest in joint venture capital
Autolink Concessionaires (A19) Limited	33.3%
Autolink Concessionaires (M6) PLC	19.5%
United Healthcare (South Buckinghamshire) Limited	19.9%

The Group's share of the value of these contracts is £76.7m and the contracts will continue for periods of one to twenty-five years up to 2024.

14 Stocks

	Consolidated 1998 £m	Consolidated 1997 £m
Raw materials and consumables	**2.1**	2.7
Finished goods and goods for resale	**27.7**	21.6
Residential developments		
Land	**272.7**	224.7
Development and construction costs	**240.6**	181.8
Commercial, industrial and mixed development properties	**122.3**	81.0
	665.4	511.8

15 Debtors

	Consolidated		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Receivable within one year				
Trade debtors	**50.8**	48.6	**–**	-
Amounts recoverable on contracts	**75.1**	87.4	**–**	-
Group undertakings	**–**	–	**265.4**	206.0
Joint ventures	**0.8**	1.9	**0.3**	0.6
Other debtors	**38.1**	36.3	**8.1**	3.0
Prepayments and accrued income	**12.6**	9.2	**0.4**	0.4
Receivable after one year				
Other debtors	**10.2**	18.5	**–**	3.2
	187.6	201.9	**274.2**	213.2

16 Current asset investments

	£m	£m	£m	£m
Listed investments	**4.4**	1.4	**4.4**	1.4

These comprise 2.9m ordinary shares of the company held in trust for the Taylor Woodrow Group Executive Bonus Plan and for the Taylor Woodrow Savings-Related Share Option Scheme. The market value of the shares at 31 December 1998 was £4.4m (1997 – £1.5m). Dividends on these shares have been waived except for 0.01p per share. 2.2m of these shares are under option to team members.

17 Creditors: amounts falling due within one year

	£m	£m	£m	£m
Debenture loans (note 19)	**15.4**	11.6	**–**	
Bank loans and overdrafts (note 20)	**21.8**	10.3	**3.4**	
Payments received on account	**96.6**	97.8	**–**	
Trade creditors	**155.6**	172.7	**0.2**	0.2
Group undertakings	**–**	–	**109.9**	125.1
Joint ventures	**0.9**	0.4	**–**	
Taxation on profits	**25.2**	26.1	**1.5**	8.9
Other taxation and social security	**8.6**	9.8	**1.0**	1.0
Other creditors	**18.4**	23.0	**–**	0.6
Accruals and deferred income	**119.8**	126.2	**12.7**	7.6
Dividend	**14.5**	12.9	**14.5**	12.9
	476.8	490.8	**143.2**	156.3

Notes on the accounts

Continued

18 Creditors: amounts falling due after one year

	Consolidated		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Debenture loans (note 19)	**173.8**	166.6	**95.0**	94.7
Bank loans and overdrafts (note 20)	**16.3**	1.8	**–**	1.8
Other creditors	**6.5**	4.4	**–**	–
Accruals and deferred income	**5.4**	4.5	**3.2**	3.1
	202.0	177.3	**98.2**	99.6

Included in accruals at 31 December 1998 is £3.2m in respect of continuing post-retirement health care insurance premiums for retired long-service team members which is the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 1998 assuming a discount rate of 8.5% per annum and an increase in medical expenses of 12.5% per annum for the next ten years and 7.5% per annum thereafter. The premium cost to the Group in respect of retired long-service team members for 1998 was £0.2m (1997 – £0.2m).

19 Debenture loans

	£m	£m	£m	£m
6.92% debentures 2004 – unsecured	**15.6**	17.0	**–**	–
7.56% notes 2005 – unsecured	**30.0**	30.2	**–**	–
7.333% debentures 2008 – unsecured	**17.2**	–	**–**	–
9.5% first mortgage debenture stock 2014	**95.0**	94.7	**95.0**	94.7
Other secured loans at rates of interest from 0% to 11.4%				
Repayable wholly within five years	**20.1**	32.1	**–**	–
Repayable by instalments over periods exceeding five years	**11.3**	4.2	**–**	–
	189.2	178.2	**95.0**	94.7
Repayable				
Between one and two years	**8.1**	12.2	**–**	–
Between two and five years	**23.8**	25.5	**–**	–
After five years – instalment loans	**14.1**	17.2	**–**	–
– other	**127.8**	111.7	**95.0**	94.7
Total falling due beyond one year	**173.8**	166.6	**95.0**	94.7
Total due within one year	**15.4**	11.6	**–**	–
	189.2	178.2	**95.0**	94.7

Charges for secured loans have been given principally on certain investment properties and development land.

20 Bank loans and overdrafts

	Consolidated 1998 £m	Consolidated 1997 £m	Company 1998 £m	Company 1997 £m
At rates of interest from 5.4% to 35% (company 7.25%)				
Repayable				
Between one and two years	**2.1**	–	–	–
Between two and five years	**12.1**	1.8	–	1.8
After five years	**2.1**	–	–	–
Total falling due beyond one year	**16.3**	1.8	–	1.8
Total due within one year	**21.8**	10.3	**3.4**	–
	38.1	12.1	**3.4**	1.8

Consolidated secured bank loans and overdrafts amounted to £23.0m (1997 – £6.6m). Secured bank loans and overdrafts are secured principally on certain investment and development properties, amounts recoverable on a contract and a bank deposit.

21 Provisions for liabilities and charges

Deferred taxation	Consolidated £m
31 December 1997	3.6
Changes in exchange rates	(0.2)
Charged to profit and loss account	(0.2)
31 December 1998	3.2

The balance arises from the effect of timing differences.

Other provisions	
31 December 1997	6.6
Charged to profit and loss account	3.3
Utilised	(2.0)
31 December 1998	7.9
Total provisions	11.1

There is no unprovided deferred taxation other than that relating to surpluses arising on revaluation of properties referred to in note 25.

Other provisions are principally in respect of the cost of restoring land from which minerals have been extracted and future maintenance on housing.

22 Ordinary share capital

	1998 £m	1997 £m
Authorised		
560,000,000 shares of 25p each (1997 – 560,000,000)	**140.0**	140.0
Called up, allotted and fully paid		
402,821,235 shares of 25p each (1997 – 397,265,887)	**100.7**	99.3

During the year options were exercised on 1,626,762 ordinary shares at varying prices from 85.6p to 189.5p and that number of shares was issued for a total consideration of £1.8m.

A total of 3,928,586 ordinary shares was issued at market value of £6.4m to Taylor Woodrow QUEST Trustee Limited in 1998 for allocation to team members on the exercise of options granted under the Group's savings-related share option scheme.

Under the Group's senior executives' share option scheme and executive share option plan, team members held options at 31 December 1998 to subscribe for 6,360,669 shares (1997 – 7,321,364) at prices between 107.2p and 261.46p per share exercisable up to 19 November 2008. Under the Group's savings-related share option scheme, team members held options at 31 December 1998 to subscribe for 9,953,587 shares (1997 – 12,274,994) at prices between 85.6p and 143.0p per share exercisable up to 31 May 2004.

23 Capital redemption reserve

	£m
31 December 1997 and 31 December 1998	8.4

Notes on the accounts

Continued

24 Share premium account

	£m
31 December 1997	224.8
Amortisation of discount on issue of 9.5% first mortgage debenture stock 2014 and expenses of issue transferred from profit and loss account	(0.3)
Premium on shares issued during the year less expenses of issues	6.8
31 December 1998	231.3

25 Revaluation reserve

	Consolidated £m	Company £m
31 December 1997	72.2	10.4
Unrealised exchange differences	(2.3)	–
Realised and transferred to profit and loss account	3.4	–
Net surplus on property valuations	21.1	–
31 December 1998	94.4	10.4

The consolidated revaluation reserve includes surpluses arising on revaluation of properties, which if realised at 31 December 1998 would have given rise to a maximum taxation liability of £4.2m (1997 – £3.9m).

26 Profit and loss account

	£m	£m
31 December 1997	208.0	161.4
Exchange differences	(3.9)	–
Revision to goodwill written off in 1997	0.6	–
Transfer to share premium account	0.3	0.3
Transfers from revaluation reserve	(3.4)	–
Contributions to team member share trust	(0.4)	–
Balance for the year retained	47.7	44.6
31 December 1998	248.9	206.3

The profit of the company for the financial year was £65.1m (1997 – £43.7m).

In accordance with the Group's policy the cumulative amount charged to retained profit and loss account in prior years in respect of positive goodwill is £5.8m (1997 – £6.5m) net of amounts attributable to companies sold or closed; this goodwill would be charged against profit before taxation on subsequent disposal of the businesses to which it related.

27 Reconciliation of movements in shareholders' funds

	£m	1998 £m	1997 £m
Profit for the financial year		**68.2**	56.2
Dividends		**(20.5)**	(17.8)
		47.7	38.4
Other recognised gains and losses relating to the year (net)		**14.9**	31.5
Write back of dividend in respect of elections for shares in lieu of dividend		**–**	1.1
New share capital subscribed	**8.2**		
Less: contributions to team member share trust (1997 – £nil)	**(0.4)**	**7.8**	4.5
Revision to goodwill written off in 1997 (1997 – goodwill on acquisition written off)		**0.6**	(3.0)
Net increase in shareholders' funds		**71.0**	72.5
Opening shareholders' funds		**612.7**	540.2
Closing shareholders' funds		**683.7**	612.7

28 Consolidated cash flow statement

	1998 £m	1997 £m
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	**110.2**	85.1
Depreciation	**13.1**	21.8
Increase in stocks	**(164.7)**	(69.5)
Decrease/(increase) in debtors	**8.2**	(0.9)
(Decrease)/increase in creditors	**(18.9)**	20.9
Exchange adjustments	**4.9**	(6.7)
Net cash (outflow)/inflow from operating activities	**(47.2)**	50.7
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the year	**(32.9)**	6.8
Cash inflow from increase in debt	**(32.6)**	(16.2)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	**(42.9)**	42.2
Change in net debt resulting from cash flows	**(108.4)**	32.8
Amortisation of discount on issue of 9.5% first mortgage debenture stock 2014 and expenses of issue for the year	**(0.3)**	(0.3)
Exchange movement	**3.8**	(11.9)
Movement in net debt in the year	**(104.9)**	20.6
Net debt at 1 January	**(36.8)**	(57.4)
Net debt at 31 December	**(141.7)**	(36.8)

Analysis of net debt

	At 1 January 1998 £m	Cash flow £m	Non-cash changes £m	Exchange movement £m	At 31 December 1998 £m
Cash at bank and in hand	152.1	(69.5)	–	(1.4)	81.2
less					
Deposits due after one day	(85.1)	45.9	–	(0.1)	(39.3)
Overdrafts on demand	(8.0)	(9.3)	–	0.1	(17.2)
		(32.9)			
Debt due after one year					
Debenture loans	(166.6)	(20.7)	9.6	3.9	(173.8)
Bank loans	(1.8)	(14.9)	–	0.4	(16.3)
Debt due within one year					
Debenture loans	(11.6)	5.5	(9.9)	0.6	(15.4)
Bank loans and overdrafts	(10.3)	(11.8)	–	0.3	(21.8)
add back					
Overdrafts on demand	8.0	9.3	–	(0.1)	17.2
		(32.6)			
Liquid resources					
Deposits due after one day	85.1	(45.9)	–	0.1	39.3
Current asset investments	1.4	3.0	–	–	4.4
		(42.9)			
Total	(36.8)	(108.4)	(0.3)	3.8	(141.7)

Notes on the accounts

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29 Pensions

The Group operates a number of pension schemes throughout the world of the defined benefit type. The assets of the schemes are held in separate trustee-administered funds.

The total pension cost for the Group was £7.7m (1997 – £6.8m) of which £0.8m (1997 – £0.9m) related to the overseas schemes.

The pension cost relating to the UK scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest report of actuarial assessment of the scheme as at 1 June 1996 was issued on 20 February 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 3.5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the UK scheme was £264.3m and the actuarial value of the assets was sufficient to cover 110% of the benefits that had accrued to members after allowing for expected future increases in earnings. In accordance with the recommendation of the actuary, the contribution rate required to cover the cost of future benefits has been reduced so as to remove the surplus over the expected working lifetime of the active membership. In arriving at the contribution rate, allowance has been made for Limited Price Indexation in respect of pensions earned after 5 April 1997 up to 5% per annum in accordance with the Pensions Act 1995.

30 Contingent liabilities

The Group and the parent company have entered into performance bonds and agreements in the normal course of business.

The parent company has given guarantees in respect of Group undertakings of £45.9m (1997 – £38.5m).

Particulars of principal subsidiary undertakings

Country of incorporation and principal operations	Name of undertaking included in the consolidated accounts (*Interests held by subsidiary undertakings)	Taylor Woodrow plc interest is 100% in the issued ordinary share capital (unless otherwise stated)
Housing		
Great Britain	Taylor Woodrow Capital Developments Limited*	
	Taywood Homes Limited	
Australia	Taylor Woodrow (Australia) Pty. Limited*	
	Taylor Woodrow Holdings Pty. Limited	
Canada	Taylor Woodrow Holdings of Canada Limited #	
	Monarch Construction Limited*##	55%
	Monarch Development Corporation	1%
	Monarch Development Corporation*	54%
USA	Taylor Woodrow Homes, Inc.*	
	Taylor Woodrow Homes Florida, Inc.*	
	Taylor Woodrow, Inc.	
	Taylor Woodrow Investments, Inc.	96%
	Taylor Woodrow Investments, Inc.*	4%
	Monarch Holdings (USA), Inc.*###	55%
	Monarch Homes of Florida, Inc.*	55%
Property Development and Investment		
Great Britain	Taylor Woodrow Chippindale Properties Limited*	
	Taylor Woodrow Developments Limited*	
	Taylor Woodrow Property Company Limited	
	Clipper Investments Limited*	
	Pennant Investments Limited*	
	St Katharine by the Tower Limited*	
Canada	Monarch Construction Limited*##	55%
	Monarch Development Corporation	1%
	Monarch Development Corporation*	54%
Construction		
Great Britain (operating worldwide)	Taylor Woodrow Construction Limited	
Malaysia	Taylor Woodrow Projects (M) Sdn Bhd*	
Greenham Trading		
Great Britain	Greenham Trading Limited	35%
	Greenham Trading Limited*	65%

Notes

\# Variable rate cumulative non-voting redeemable preference shares are additionally held.

\## $9\frac{1}{2}$% Non-cumulative non-voting redeemable preference shares (55%) and 9% non-cumulative non-voting redeemable preference shares (55%) are additionally held.

\### Non-voting redeemable preferred shares (55%) are additionally held.

Major operating companies

Housing

Taywood Homes Limited

Greenham Park House,
Chertsey Road, Feltham,
Middlesex, TW13 4RW

Telephone: 0181 917 7000
Fax: 0181 751 1311
Web site: http://www.taywood.co.uk/twh/

Chairman:
Paul D Phipps

Managing director:
Stephen H Brazier, BSc FCA

Taylor Woodrow Capital Developments Limited

International House,
1 St Katharine's Way,
London, E1 9TW

Telephone: 0171 488 0555
Fax: 0171 702 2377

Managing director:
Alasdair Nicholls, ARICS

Taylor Woodrow (Australia) Pty. Limited

Level 3, 43 Kishorn Road,
Applecross,
Western Australia 6153

Telephone: 618 9364 5422
Fax: 618 9364 5226/618 9316 1046

Postal address:
PO Box 922, Canning Bridge,
Western Australia

Director and general manager:
Nelson Hinchcliff, BEc (Com)

Taylor Woodrow Homes, Inc.

24461 Ridge Route Drive,
Laguna Hills,
California 92653-1686, USA

Telephone: 1 949 581 2626
Fax: 1 949 581 2727
Web site: http://www.taylorwoodrow.com

President:
Richard E Pope

Taylor Woodrow Communities

7120 S. Beneva Road, Sarasota,
Florida 34238-2150, USA

Telephone: 1 941 927 0999
Fax: 1 941 925 7023

President:
John R Peshkin

Taylor Woodrow Communities is a partnership between Taylor Woodrow Homes Florida Inc. and Monarch Homes of Florida, Inc.

Housing and Property

Monarch Development Corporation

2025 Sheppard Avenue East,
Willowdale, Ontario,
M2J 1V7, Canada

Telephone: 1 416 491 7440
Fax: 1 416 491 7216
E-mail: monarch@monarchgroup.net
Web site: http://www.monarchgroup.net

President:
E John Latimer, BA BEd

Executive vice president:
Brian K Johnston, CA

Property

Taylor Woodrow Property Company Limited

International House,
1 St Katharine's Way,
London, E1 9TW

Telephone: 0171 488 0555
Fax: 0171 702 2377
E-mail: property@taywood.co.uk

Managing director:
Tony Wilby, ARICS

Construction

Taylor Woodrow Construction Limited

Taywood House,
345 Ruislip Road,
Southall, Middlesex, UB1 2QX

Telephone: 0181 578 2366
Fax: 0181 575 4701
E-mail: taywood@taywood.co.uk

Chairman and managing director:
Bruce C Russell, MSc FICE MIStructE FRSA

Deputy managing director:
Denis J A Mac Daid,
EUR Ing BSc CEng FICE FIEI

Africa

Director-in-charge:
Michael D Walker, FCIOB

Telephone: 0181 231 1031
Fax: 0181 578 2303

Asia Pacific

Director-in-charge:
Rodney G Franks, OBE CEng MICE MInstD

Telephone: 0181 231 1166
Fax: 0181 575 4442

Europe (Building)

Director-in-charge:
Denis J A Mac Daid,
EUR Ing BSc CEng FICE FIEI

Telephone: 0181 231 1008
Fax: 0181 231 1122

Europe (Civils)

Director-in-charge:
Derek Limbert, EUR Ing BSc CEng FICE

Telephone: 0181 575 4436
Fax: 0181 575 4300

Engineering

Director-in-charge:
Derek Fryer, BSc FCIOB

Telephone: 0181 575 9206
Fax: 0181 575 4983

Greenham Trading

Greenham Trading Limited

Greenham House,
671 London Road, Isleworth,
Middlesex, TW7 4EX

Telephone: 0181 560 1244
Fax: 0181 568 8423
Web site: http://www.greenham.com

Chairman and chief executive:
Brian Abrahams

Joint managing directors:
David Reddyhough
Lilian M Cutting

Other

Taylor Insurance Brokers Limited

Taylor House, 345 Ruislip Road,
Southall, Middlesex, UB1 2QX

Telephone: 0181 575 4901
Fax: 0181 575 9395

Chairman:
Richard I Morbey, FCIS

Joint managing directors:
Kevin N J Goodwin, ACII
Paul J Lampit

Greenham Construction Materials Limited

Wang House, 661 London Road,
Isleworth, Middlesex, TW7 4EH

Telephone: 0181 560 3322
Fax: 0181 232 4660

Managing director:
Nigel C Jackson, BSc MIGeol FGS

Investment property portfolio information

Properties valued above £2.5 million

UK	Tenure	Approximate rental area 000 sq ft
Office		
International House, St Katharines, London E1	Freehold	198.5
Nelson Gate, Southampton	Leasehold	168.5
Commodity Quay, St Katharines, London E1	Freehold	130.0
Genesis, Birchwood Science Park, Warrington	Freehold	93.4
Devon House, St Katharines, London E1	Freehold	92.0
Ivory House, St Katharines, London E1 (mixed use)	Freehold	74.7
Stanford House, Birchwood Science Park, Warrington	Freehold	52.6
Allday House, Birchwood Science Park, Warrington	Freehold	51.3
Delta 600, Swindon	Leasehold	32.3
Sentinel House, London W1	Freehold	26.4
Priory House, London W8	Leasehold	15.5
Retail		
The Treaty Centre, Hounslow	Leasehold	280.0
Cascades Shopping Centre, Portsmouth	Leasehold	240.0
Ankerside Shopping Centre, Tamworth	Leasehold	180.0
Woodley, Reading	Leasehold	75.3
Weaver Court, Northwich	Leasehold	62.5
The Dickens Inn, St Katharines, London E1	Freehold	18.9
Industrial		
Nursling Industrial Estate, Southampton	Leasehold	332.0
Bicester Road Industrial Estate, Aylesbury	Freehold	254.2
Cameron Court, Winwick Quay, Warrington	Freehold	168.6
Seacroft Industrial Estate, Leeds	Freehold	133.2
Westmead Industrial Estate, Swindon	Freehold	122.2
Europa Boulevard, Winwick Quay, Warrington	Freehold	118.6
Nuffield Industrial Estate, Oxford	Freehold	88.2
Fleming Way Industrial Estate, Crawley	Freehold	72.6
Ashford Industrial Estate, Ashford	Freehold	61.6
Canada		
Office		
Heron's Hill 3, Willowdale, Ontario	Freehold	142.0
Heron's Hill 2, Willowdale, Ontario	Freehold	141.0
Heron's Hill 1, Willowdale, Ontario	Freehold	130.5
Retail		
Eglinton Square Shopping Centre, Scarborough, Ontario	Freehold	265.7
Chartwell Shopping Centre, Scarborough, Ontario	Freehold	85.1
Industrial		
Chartwell Industrial Park, Scarborough, Ontario	Freehold	552.7
Commerce Valley Drive, Markham, Ontario	Freehold	98.3

Five year review

	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m
Profit and loss account					
Group turnover	**1,400.5**	1,295.7	1,189.7	1,154.1	1,146.3
Profit before taxation	**100.3**	82.1	66.8	46.0	50.8
Taxation charge	**(26.6)**	(20.7)	(17.0)	(12.9)	(14.6)
Minority interests	**(5.5)**	(5.2)	(3.0)	(4.0)	(3.8)
Profit for the financial year	**68.2**	56.2	46.8	29.1	32.4
Dividends	**(20.5)**	(17.8)	(14.7)	(11.6)	(8.8)
Profit retained	**47.7**	38.4	32.1	17.5	23.6
Balance sheet					
Investment properties	**397.1**	387.6	385.9	434.1	458.5
Other fixed assets	**107.4**	105.6	117.9	110.7	114.0
Net current assets (excluding cash and debt)	**413.4**	244.8	182.0	181.9	128.1
Non-current creditors (excluding debt) and provisions	**(23.0)**	(19.1)	(24.7)	(18.2)	(15.7)
Net debt	**(141.7)**	(36.8)	(57.4)	(127.3)	(107.3)
Minority interests	**(69.5)**	(69.4)	(63.5)	(65.6)	(60.1)
Shareholders' funds	**683.7**	612.7	540.2	515.6	517.5
Represented by:					
Called up ordinary share capital	**100.7**	99.3	98.2	96.4	97.0
Capital redemption reserve	**8.4**	8.4	8.4	8.4	7.7
Share premium account	**231.3**	224.8	221.7	216.1	216.2
Revaluation reserve	**94.4**	72.2	38.5	55.3	63.4
Profit and loss account	**248.9**	208.0	173.4	139.4	133.2
	683.7	612.7	540.2	515.6	517.5
Statistics					
Number of shares in issue at year end (millions)	**402.8**	397.3	392.9	385.8	387.8
Basic earnings per share	**17.1p**	14.2p	12.0p	7.5p	7.8p
Dividends per share	**5.1p**	4.5p	3.75p	3.0p	2.25p
Shareholders' funds per share	**169.7p**	154.2p	137.5p	133.7p	133.4p
Dividend cover (times)	**3.4**	3.2	3.2	2.5	3.5
Net gearing	**20.7%**	6.0%	10.6%	24.7%	20.7%

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Taylor Woodrow wishes to acknowledge and thank all the clients and professional teams associated with the projects referred to in this annual report.
The papers used for this annual report are produced from pulp bought from manufacturers operating strict reforestation programmes. They are Chlorine Free. The material is recyclable and bio-degradable.

Shareholder information

Financial Calendar

Annual general meeting
11.30 am on Friday 11 June 1999 at One Great George Street, Westminster, London, SW1P 3AA.

Notice of the annual general meeting and details of the business of the meeting are contained in a separate circular to shareholders which accompanies this annual report and accounts.

Interim results
To be announced in September 1999.

Dividend
Final dividend (subject to shareholders' approval at the annual general meeting):

Final dividend payment date
1 July 1999

Record date for final dividend entitlement
14 May 1999

Shares quoted ex-dividend on London Stock Exchange
10 May 1999

Shareholder Facilities

Dividend mandates
The company actively encourages all shareholders to receive their cash dividends by direct transfer to a bank or building society account. For more information please contact the registrar.

Dividend Re-investment Plan
The company offers a Dividend Re-investment Plan. This allows shareholders to invest their cash dividend in purchasing shares of the company on the market. Further details of the plan are contained in the circular to shareholders and may be obtained from the registrar.

Taylor Woodrow and 'CREST'
Taylor Woodrow's listed securities can be held in uncertificated 'CREST' accounts, which may make it easier for shareholders to settle stock market transactions. Holders who deal infrequently may, however, prefer to continue to hold their shares in certificated form and the company will continue to offer this facility for the time being.

Taylor Woodrow share price
The company's share price is printed in most daily newspapers and is also available on the company's web site http://www.taywood.co.uk. It appears on Ceefax page 232 and Teletext page 516 and may be obtained by telephoning the Financial Times Cityline Service, telephone 0906 0034177 (calls cost 50p per minute).

Personal Equity Plan
Bradford & Bingley (PEPs) Limited, the manager of the Taylor Woodrow General and Single Company PEPs, has announced that on 5 April 1999 it transferred the administration and management of its corporate PEPs business to The Share Centre, an established stockbroker regulated by the SFA and a member firm of the London Stock Exchange. Bradford & Bingley (PEPs) Limited will b writing to shareholders who have a Taylor Woodrow PEP, to explain how this will affect their holdings.

Low-cost share dealing service
The company has arranged a low-cost share dealing service for shares in the company through Hoare Govett Limited, one of the company's stockbrokers. For details contact the registrar or Hoare Govett Limited, 4 Broadgate, London, EC2M 7LE. Telephone 0171 601 0101.

Gifting shares to charity
Shareholders with very small holdings of Taylor Woodrow shares may feel that it is uneconomic to continue to hold o trade them. Such shareholders may wish to consider donating some of their shares to charity. The company has made an arrangement with the Orr Mackintosh Foundatio Limited, a registered charity, whereby shareholders may gif their shares to the charity which in turn distributes the proceeds of the sale of the shares to various recognised charities. Any shareholder who wishes to receive further details is invited to contact the registrar.

Registrar
For enquiries concerning your holdings in the company's shares or details of shareholder services, please contact:

David A Storrie,
Taylor Woodrow plc, Taywood House,
345 Ruislip Road, Southall,
Middlesex, UB1 2QX.

Telephone: 0181 575 4668 Fax: 0181 575 4039.

E-mail: david.storrie@taywood.co.uk

Stockbrokers
Hoare Govett Limited
HSBC Securities

Bankers
Midland Bank plc
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