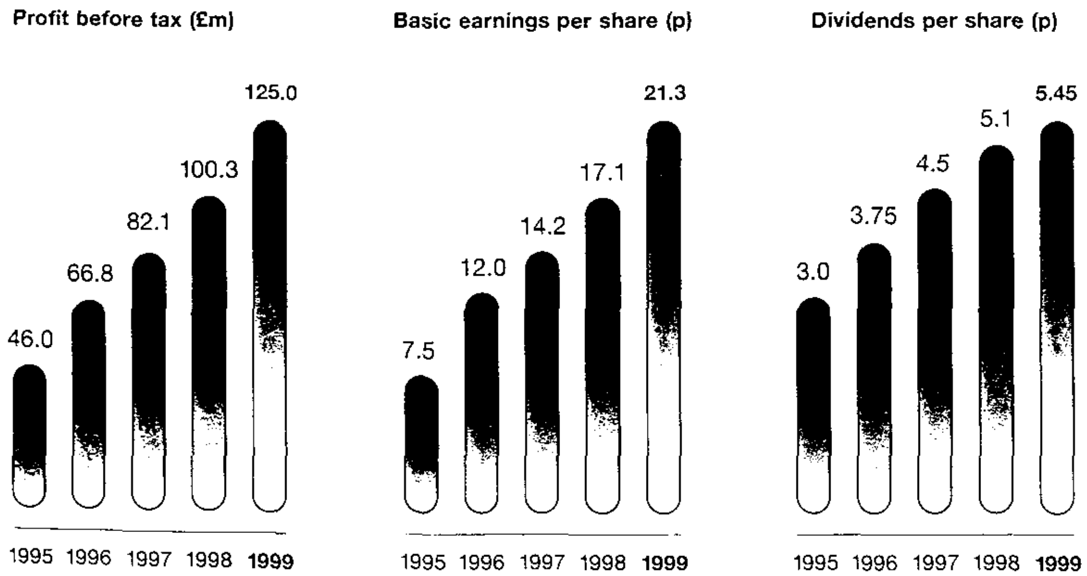
inancial highlights

	1999	1998	% change
Group turnover	**£1,504.0m**	£1,400.5m	+7%
Group operating profit	**£139.3m**	£110.2m	+26%
Profit before taxation	**£125.0m**	£100.3m	+25%
Basic earnings per share	**21.3p**	17.1p	+25%
Dividends per share	**5.45p**	5.1p	+7%
Net borrowings	**£112.6m**	£141.7m	
Net gearing	**15.0%**	20.7%	
Shareholders' funds per share	**196.8p**	169.7p	+16%

We are an international leader in housing, property and value added construction support.

We are committed to delivering a world class business by providing creative solutions for the built environment.



Chairman's statement

This is my first statement as chairman of your company.

Results

I am delighted to present our 1999 results, which were, by any standards, excellent. Pre-tax profits grew by 25% to £125 million. Earnings per share advanced 25% to 21.3p. There was a strong performance from our housing operations, with the UK business producing especially good profits growth.

These results justify the actions taken by the management team to position the business to meet the market opportunities which the company is now well equipped to exploit.

In 1999, we announced we would be reassessing Taylor Woodrow's strategy for the future. Detailed work started last summer, leading to agreed strategic actions. I have been very encouraged by the results of this process which will see the emergence of the new Taylor Woodrow as an increasingly well-focused, better co-ordinated and customer-driven business. In his chief executive's statement, Keith Egerton provides more details on the initiatives taken as a direct result of this strategic review.

I am confident the final implementation of our strategy will create an exciting future for the company, whilst yielding benefits for shareholders.

The Board and Management

During the review process, we reviewed the management of our construction operation. In November, after 30 years of valuable service, Bruce Russell, the chairman and managing director of Taylor Woodrow Construction Limited, resigned from the board. We were extremely fortunate to secure the services of Brian George, who has had considerable experience in the management of large companies and construction projects, to succeed him as chairman of our construction activities.

We have benefited from the great experience of Sir Kit McMahon who has been a director since 1991. He will be retiring from the board at the conclusion of the annual general meeting when Sir George Russell will succeed him as deputy chairman.

On 15 March 2000 we were pleased to appoint Norman Broadhurst as a non-executive director. Mr Broadhurst, who was, until recently, finance director of Railtrack plc, will succeed Sir Kit McMahon as chairman of the audit committee.

Dividend

The board recommends an increased final dividend for 1999 of 3.8p per share compared with 3.6p per share for 1998. Together with the interim dividend of 1.65p per share paid on 1 November 1999, this makes a total dividend for the year of 5.45p, an increase of 6.9%.

Subject to confirmation at the annual general meeting on 12 May, the dividend will be paid on 3 July 2000 to shareholders on the register of members at the close of business on 31 March 2000.

The dividend will be paid as a conventional cash dividend, but shareholders are once again being offered the alternative, if they wish, to reinvest some or all of their dividend in the Dividend Re-investment Plan, details of which are contained in a separate circular to shareholders.

In thanking shareholders for their support over the last year, I am sure you would also wish me to express the company's appreciation to the members of the Taylor Woodrow team for the contributions they have made to the success of the business, as has been amply demonstrated by the 1999 results.

Based on all these recent initiatives, a clear sense of direction, the wide geographical spread of our operations and the outstanding skills of our people, the board is confident of your company's prospects for the future.

Dr Robert Hawley, CBE, Chairman
15 March 2000

"We will see a new Taylor Woodrow, an increasingly well-focused, better co-ordinated and customer-driven business."

"We remain firmly focused on realising the profitable growth opportunities in housing and property and maximising the benefits of our construction and engineering expertise."

The New Taylor Woodrow – The International Developer

As the chairman states, our 1999 results were very strong. We achieved record profits, improved our returns on capital employed, margins and strengthened our balance sheet.

This strength affords us wide flexibility to take our businesses forward.

1999 marked my first full year as chief executive and I am absolutely committed to realising all the value locked up in Taylor Woodrow. That is why I initiated a major strategic review. From this we have concluded:

- Our core activities, worldwide housing and property, will continue their very profitable growth. This will be the focus of our efforts and resources.
- Our construction business also has a strong future as a much reduced, focused provider of value added construction support, concentrating principally on partnering, selected PFI and facilities management.
- An exciting market is developing in mixed use schemes, which unite the talents of all three divisions.

- We are streamlining our North American operations into one management structure.
- To foster closer working across the Group, as well as to improve efficiency, we are bringing together the headquarters of our UK offices.
- Non-core activities will be disposed of.

Housing

In the UK, Taywood Homes is on target to double its volume with improving returns. It is upgrading the specification and design of its houses and strengthening its customer services and marketing skills.

Uniquely among UK based housebuilders, we have major expanding international housing activities in the United States, Canada, Spain and Australia. These diverse businesses lessen our exposure to any one market.

In the US, we operate in three affluent states, serving a large luxury market in the provision of high-value homes and community developments.

In California, we are developing interactive web communications. These skills are being extended to all our worldwide housing activities as we intend to be a market leader in harnessing web technology to enhance customer service and operating efficiencies.

In Canada, we are building on our prominent position in the strong high rise market around Toronto and now have a land bank of around 2,000 units.

Property

Property will continue to be a significant contributor to Group profitability, with increased emphasis on UK development activity, financed by a reducing investment portfolio.

In conjunction with our partners, we expect the UK development programme over the next five years to have the potential to provide 3.5 million sq ft of accommodation, with an end value in excess of £550 million.

Construction

We have rigorously assessed the future of our construction business and are convinced it has a profitable future in a reduced, more focused form. Overhead will be greatly reduced and each business process streamlined.

We will provide value added construction support throughout the supply chain. In particular, construction will increasingly work with our housing and property businesses, to exploit opportunities in mixed use and brownfield developments.

Mixed use and brownfield

The UK Government's encouragement of brownfield site development will necessitate considerable engineering expertise. We are extremely well placed to be a major participant in meeting these targets. Few other companies can provide the full range of skills required.

We pioneered the integration of these skills at St Katharine Docks and will deploy this expertise in the development of the Lots Road, Chelsea, power station site, which we have recently acquired. We also propose to develop our 54-acre Southall site, currently occupied by the construction activity, following relocation.

Other activities

We sold Greenham Construction Materials in March 2000. The board has instructed our bankers to sell Greenham Trading which is no longer a core activity. We are in discussions with the management concerning an MBO. Our first priority and responsibility is to act in the interest of our shareholders to achieve a fair and proper price.

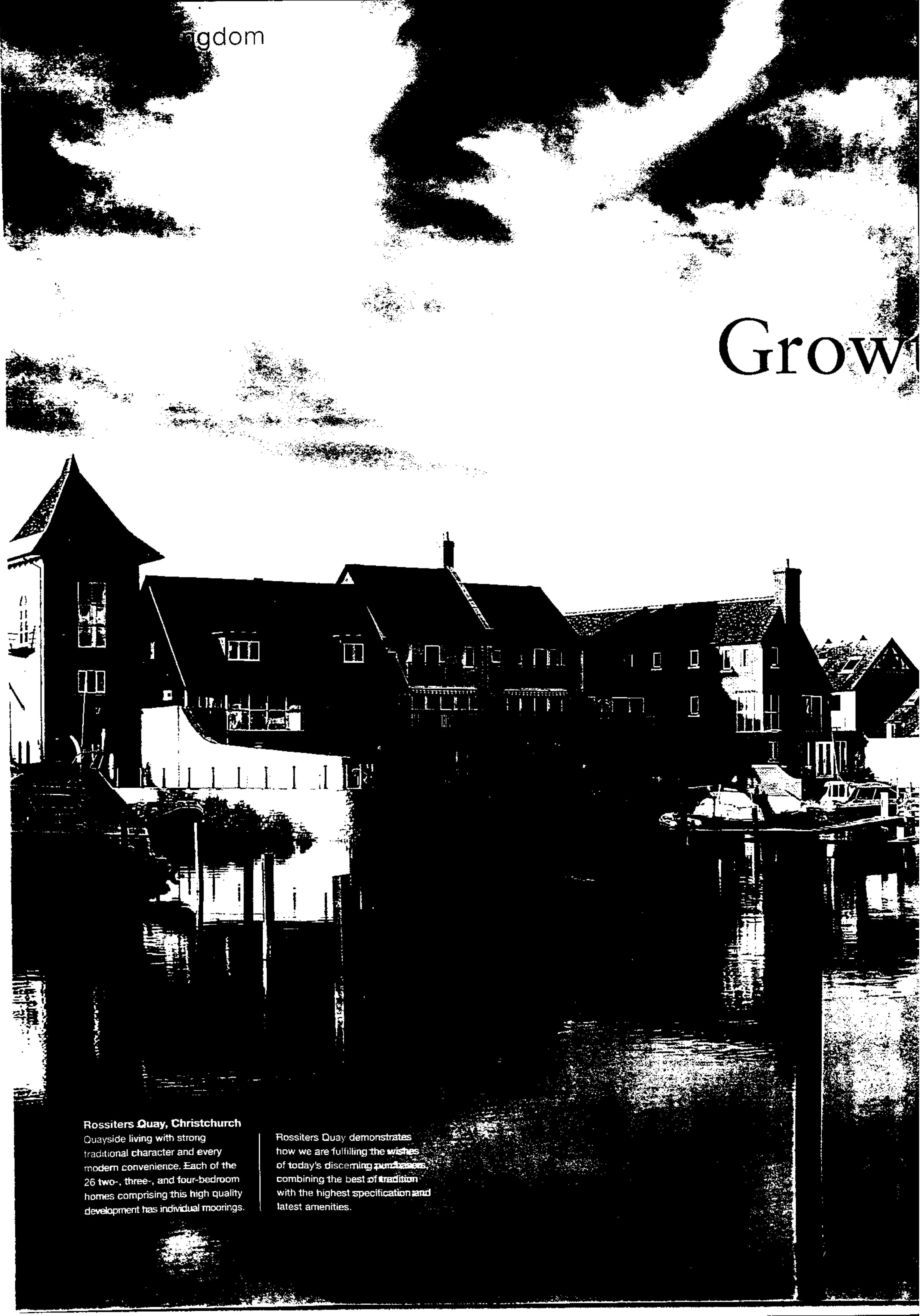
Outlook

The year 2000 has started well. All our major businesses report healthy trading conditions which we anticipate will continue through the year.

In the longer term, we will remain firmly focused on realising the profitable growth opportunities in housing and property and maximising the benefits of our construction and engineering expertise.

Keith Egerton

Keith R Egerton, Chief Executive
15 March 2000



Grow

Rossiters Quay, Christchurch
Quayside living with strong traditional character and every modern convenience. Each of the 26 two-, three-, and four-bedroom homes comprising this high quality development has individual moorings.

Rossiters Quay demonstrates how we are fulfilling the wishes of today's discerning purchasers, combining the best of tradition with the highest specification and latest amenities.

Stylish homes. The six-bedroom Sherford at Throop in Dorset is a typical example of the upmarket homes from Taywood Homes' range.

rough creativity

In the UK, Taywood Homes had an excellent year. Significant improvements in profits and operating margins were achieved and the company is on target to produce over 3,000 new homes by 2003.

A new region at Upper Heyford, Oxfordshire was created. Work has already begun on three sites in this region, with the first completions expected in the second half of 2000. Taywood Homes now has seven regional offices and is actively considering expansion into other areas.

In addition, the company has a well respected land team, which has continued to grow its strategic landbank.

Success in retirement

The Lifestyle division, launched in 1998 to provide quality, well-located homes for active retirees, goes from strength to strength. The division achieved its first completions in September 1999 and now has a portfolio of 10 sites. This business is now well established and on course to increase its contribution to Group profits.

New homes from old land

Refurbishment and brownfield development are key elements of the Group's UK housing operations. Both require specific skills and an innovative approach. In 1999 the company's five refurbishment schemes were as diverse as converting a 1930s school into town houses and creating a landmark building from an old hospital in Woking. The percentage of the Group's houses being built on brownfield land in the UK will increase substantially, benefiting from specific remediation and engineering skills of the Group's construction business.

London market strength

The company capitalised on buoyant residential market conditions in central London to sell all 207 apartments at The City Quay at St Katharine Docks. The strong market also enabled the Drury Lane project, in the heart of London's West End, to get off to an excellent start. Over 60% of the property was sold before construction began.

Quality urban development as shown by Taylor Woodrow's outstanding central London development, The City Quay, at St Katharine Docks.

Developi

Montevetro

Capital style. Montevetro, one of London's most talked-about buildings, has also achieved outstanding sales. The building brought together Taylor Woodrow's housing and construction teams to create a landmark for the 21st century. Over 90 of the 103 apartments are now sold, with the first residents moving in at the end of September 1999. Further opportunities will be sought to share the Group's skill base combining the expertise of housing and property with the engineering skills of the construction business to create successful mixed development schemes.

Dovecote Business Park, Sale, Manchester, was sold for more than £12.6 million, giving a net yield of 7%. The development, which was pre-let to GE Corporation of America, demonstrated the strength of Taylor Woodrow's integrated approach; its construction and property business ensured that through rapid construction, the tenant was able to take occupancy within a year of starting on site.

r success

The strategic decision to increase the Group's UK property development activity produced excellent results in 1999, with profits more than doubling. During the year, the pace of development activity was stepped up as the Group took advantage of its proven ability to identify locations where the demand for good quality offices had outstripped supply.

New starts, successful sales

Several new schemes were started and a number successfully sold. Leithen House, a 20,000 sq ft office in Livingston, was let to HSBC and subsequently sold to Merchant Navy Officers' Pension Fund Trustees. A third phase of development at this business park is currently underway. Following the letting of Quatro, a 32,000 sq ft scheme in Camberley, Taylor Woodrow subsequently sold the building to CGU for £10.4 million and purchased the adjacent site to develop a 50,000 sq ft office. On other schemes (such as Dovecote shown above) the Group was able to secure institutional pre-funding and pre-lets.

The Group also has a substantial investment portfolio under active management. In 1999 it took advantage of strong institutional demand to sell at good prices £50 million of property whose future returns were not anticipated to meet corporate objectives.

Winning business

1999 was a year of transition for the construction business. It is being restructured to concentrate on specific activities which offer attractive returns with tightly managed risk.

During the year it made significant progress toward securing leadership positions in its selected key areas. Facilities management won several contracts and is now firmly established as an important part of the company's workload. The Group's successful Private Finance Initiative (PFI) programme continued with the High Wycombe hospital already handed over to the South Buckinghamshire NHS Trust. Other PFI projects, including Bromley, along with the £50 million contract for Dalmuir Wastewater Treatment Works, remain on track. The majority of the construction business' work is carried out under formal framework partnerships with major corporations such as BAA, Tesco and Railtrack.

Greenham Trading, the Group's equipment supply company, won several major contracts in 1999, including a £3–£4 million hygiene contract from Her Majesty's Prison Service. Since year end the Group has announced that this business is to be sold as it is no longer a natural fit with the Group's core activities of housing and property.

Prima, a 25,000 sq ft speculative office scheme in Egham, was simultaneously let to Axon Solutions Limited and sold to NPU Mutual & Avon Group within two months of completion. NPU paid £9.8 million for the building representing a net initial yield of 6.75%.

Exceeding custome

1999's excellent results from its US operations is testimony to the success of Taylor Woodrow's strategy to secure a unique position by building dream homes and lifestyle communities. Its well balanced portfolio of 45 projects covers the three core markets of California, Florida and Texas.

Understanding the market

Taylor Woodrow targets high-end buyers in these strong economies by developing bespoke communities and homes in affluent areas where there is little housebuilding competition. Taylor Woodrow's competitive advantage is its customer-driven focus which ensures that through detailed market analysis it is able to provide purchasers with what they want, often before they even know they want it. The company offers a wide range of options and upgrade programmes, enabling customers to select higher material specifications, or extra features in the house such as bonus rooms, wine vaults, lifts or cigar rooms. At Perazul in California, one purchaser added $900,000 worth of design options and upgrades to a $1.3 million home.

Selling electronically

Taylor Woodrow is a leader in the use of the web to market and sell its US properties. Potential customers can click onto the Group's US web site, (www.taylorwoodrow.com), be guided to one of its developments and then be taken on an electronic 'tour' of a representative house at that location. They can also quickly access information on such relevant factors to home purchasing as local schools, leisure activities and sporting facilities.

Strategic acquisitions

Strategic land acquisition is another key element of Taylor Woodrow's US success. In Florida its approach is opportunistic, within strict risk management and financial parameters established by the Group. The ability to move quickly while capitalising on Taylor Woodrow's financial strength provided a clear competitive advantage in acquiring the desirable 2,200 acre Golf Digest development in Palm Beach County. In California, strong and unique relationships with major land owners, such as the Irvine Corporation, proved key to the success of several developments such as Castaways at Newport Beach and Wyndover Bay at Bonita Canyon.

Homework. At Taylor Woodrow in-depth market analysis is as fundamental as knowing your ABC. For example, continuous product development resulted in the creation of a 'homework centre' in the Prestancia house (top), Florida. Also pictured is the luxurious 5,463 sq ft hacienda style show home at Fairbanks, San Diego (bottom).

xpectations

Estrella del Lagos

One of a stunning collection of million dollar homes at Avaqua Lakes, a premier address in central Florida. The development comprises nearly 800 heavily wooded acres that will eventually be home to 515 families, offering superb sporting and community amenities. The golf course is a registered member of the prestigious Audubon International Signature Co-operative Sanctuary Programme, which is designed to promote excellence in conservation. Taylor Woodrow's environmentally sensitive approach will make the course a safe and protected habitat for wildlife.

Winn

Queens Harbour

Queens Harbour, an outstanding example of the condominium activity undertaken by Monarch, the Group's majority owned subsidiary in Canada. Overlooking the harbour in Toronto, this 276 unit building virtually sold out before completion. Monarch is a recognised leader in high rise condominium development in Toronto and this market is expected to continue to grow robustly.

orldwide acclaim

Uniquely among UK housebuilders, Taylor Woodrow has a well balanced portfolio of housing activities around the world. In addition to the United States it has flourishing housing and land development interests in Australia, Spain and Canada. As well as contributing to Group profits, these operations reduce the Group's level of exposure to any one market.

Increased equity in Australia

As part of its plan to build on its leading position as a land developer in Western Australia, Taylor Woodrow increased its shareholding in North Whitfords Estates Pty. Limited to 100%. It is also active in New South Wales, particularly around Sydney.

Record year in Spain

Across its target markets the Spanish housing operation had a record year, with sales and profits pushing ahead strongly across its developments in Mallorca, Menorca and the Costa del Sol. Taylor Woodrow will grow this successful business into a significant contributor to the Group, with particular emphasis on fulfilling local demand for quality housing as well as providing for the European second home owner.

Expanded portfolio in Canada

In Canada, Monarch Development Corporation is a leading provider of high rise condominiums in and around Toronto. It currently has seven schemes under development in this fast growing market niche. Its prudent approach means that construction work does not start until at least 60% of each scheme has been pre-sold. Interest in the new schemes which have been released for pre-sale has been very good and more will be considered as the Group takes advantage of its unique competitive advantage.

Internationally, Taylor Woodrow has been an award winner for the quality of its housing developments. Landsdale Gardens in Australia, was one of four Taylor Woodrow developments that won awards from the Australian Urban Development Institute.

Overseas construction activities

Overseas construction operations had a good year, continuing to consolidate on key markets particularly Africa and Malaysia. Among its successes was the award of a major casino construction contract in Johannesburg. The Group's Ghana based open pit contract mining division is being expanded further in Africa.

The Los Arqueros golf community in Marbella. This successful development won the Gold Award for best Spanish development in the recent International Property Gold Awards.

Operating and financial review

Summary

- Record profit of £125.0 million – an increase of 25%. Growth in profit before tax has exceeded 20% in each of the last four years.
- Housing profits up 39% including an excellent performance from Taywood Homes in the UK where pre-tax profit rose 69% and operating margin increased to 13%.
- Property profits up 33% due to a substantial growth in property development profits.
- Shareholders' funds per share increased 16% to 196.8p.
- Year end net gearing at only 15% despite a £116 million increase in stocks and the buyback of 23 million shares.

Overall

Operating profit increased 26% in 1999 to £139.3 million from £110.2 million for the previous year. Operating profits of both the housing and property divisions grew strongly in 1999, rising by 43% to £86.2 million and 13% to £43.4 million respectively.

Profits before tax rose 25% to £125.0 million from £100.3 million in 1998.

Profits in the second half of 1999 were significantly higher than those reported in the first six months. This was the result of the high level of housing completions in California, Canada and in the UK. Virtually all the 1999 apartment sales in London and Toronto were completed in the second half. In addition, the majority of the 10 development properties and the six investment properties sold in the UK in 1999, completed in the latter part of the year.

Returns We continued to pursue our strategy of increasing the rate of return on net assets which has been improving consistently for the last four years. The overall return increased from 14% to 16% in 1999.

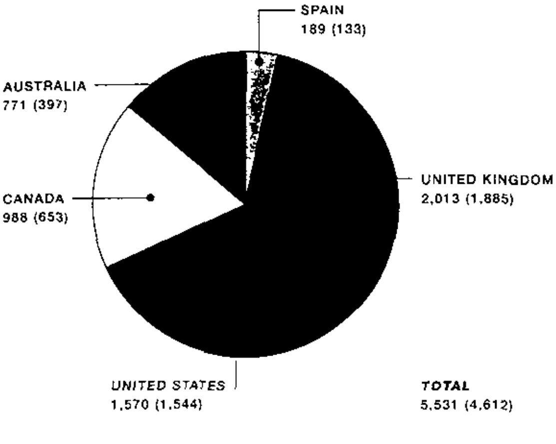
Profit by market In the UK, pre-tax profits rose 24% to £67.1 million from £54.1 million in 1998. The profits from our overseas operations increased 25% from £46.2 million in 1998 to £57.9 million with housing profits rising strongly in the US and Australia.

Operating performance

HOUSING

	1999	1998	CHANGE
Turnover (£m)	707	540	+31%
Profits before tax (£m)	78	56	+39%
Operating margins	12.2%	11.2%	+1.0%

HOUSING COMPLETIONS
(1998 FIGURES IN BRACKETS)



All our markets are enjoying buoyant conditions and, at the year end, the housing order book was up 26% at £391 million.

UNITED KINGDOM

	1999	1998	CHANGE
Turnover (£m)	251	209	+20%
Profits before tax (£m)	30	19	+58%
Operating margins	12.9%	10.1%	+2.8%

We continued to progress our strategy of doubling the size of Taywood Homes by 2003. Home completions increased 11% over 1998. Taywood Homes achieved an improvement in operating margins to 13% compared with 10% in 1998. The increase in operating margin was helped by the buoyant housing market in the southern part of the country. The increased volume and higher margins led to a £10 million improvement in profits to £25 million. Central London residential profits increased to £5 million as we completed 90 sales at City Quay in St Katharine Docks and sales of the first 31 units at Montevetro in Battersea.

UNITED STATES

	1999	1998	CHANGE
Turnover (£m)	325	249	+31%
Profits before tax (£m)	33	26	+27%
Operating margins	11.0%	11.1%	-0.1%

Buoyant market conditions in California, Florida and Texas produced a £7 million improvement in US profits to £33 million. Our operations in California, where we are a builder of upmarket homes, achieved improved margins in 1999 on homes selling for an average sales price of over £500,000. The largest contributor to US profits in the year was the Florida operation which builds homes on and develops upmarket golf communities. We enjoy a long land bank in Florida giving us the ability to generate sustainable profits. We continued to expand in all our selected markets and have recently acquired a major tract of land in Austin, Texas with 1,400 plots.

CANADA

	1999	1998	CHANGE
Turnover (£m)	81	55	+47%
Profits before tax (£m)	8	7	+14%
Operating margins	13.3%	15.5%	-2.2%

In Canada, profits on Monarch's housing operation increased to £8.4 million although operating margins fell slightly. The result benefited from 278 high rise completions in the year, up from 36 in 1998. Completions in the single family homes division were flat.

The profit growth was restrained due to one of the high rise developments not completing until February 2000.

AUSTRALIA

	1999	1998	CHANGE
Turnover (£m)	30	12	+150%
Profits before tax (£m)	5	2	+150%
Operating margins	15.5%	7.3%	+8.2%

Helped by the acquisition at the start of 1999 of our partner's 50% interest in North Whitfords Estates in Western Australia, we increased the number of completions by 94%. We achieved improved margins in a strong market which especially benefited our Harrington Park site in Sydney.

SPAIN

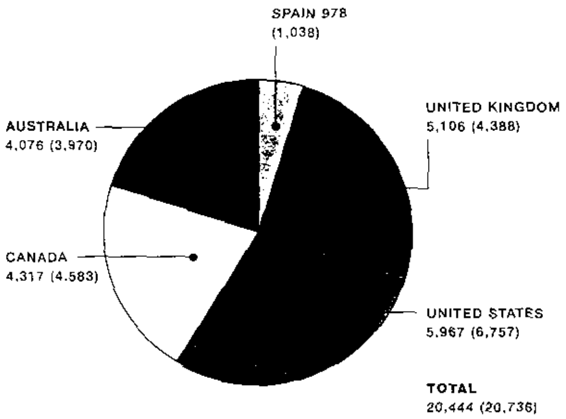
	1999	1998	Change
Turnover (£m)	20	15	+33%
Profits before tax (£m)	2	2	-%
Operating margins	13.2%	14.1%	-0.9%

Spain benefited from higher volumes and the first significant profits from our successful mainland site at Los Arqueros.

LAND BANK

There were 20,444 plots with planning consent in the year end land bank which represents 3.7 years' supply at the current level of completions. In addition we have more than 2,100 acres of raw land and a UK strategic land bank of 15,500 plots.

LAND BANK PLOTS AT 31 DECEMBER 1999
(1998 FIGURES IN BRACKETS)



PROPERTY

	1999	1998	CHANGE
Profits before tax (£m)	30.4	22.9	+33%

The profit is analysed below:

PROPERTY PROFITS BEFORE TAX

	1999 £m	1998 £m
Net rents		
– investment properties	31	33
– development properties	4	3
Overheads	(9)	(6)
Interest	(17)	(15)
Sale of investment properties	4	–
Development profits	17	8
Total	30	23

Our expanding property development programme continued to bear fruit with £17 million of development profits being earned in 1999. Ten developments in the UK were sold including properties at Dowgate Hill and Grays Inn Road in central London and two recently completed developments in the south western quadrant of the M25.

We took advantage of strong institutional demand in the UK and sold £50 million of investment property. This strong market was confirmed in the year end valuation of the UK investment portfolio where we achieved a 9% uplift from values at the end of 1998. The office properties in London including those on the St Katharine's Estate and industrial properties in the south east did comparatively well. Underlying net rental income grew strongly in the UK but overall net rents were affected by the disposals of investment properties in 1998. With most of the 1999 investment property disposals completing towards the end of the year, we expect net rental income to fall in 2000.

In Canada, we sold three investment properties in the first half of the year and will continue to review our Canadian property assets. There was a 2% increase in the value of our investment property portfolio in Canada at the end of 1999.

CONSTRUCTION

	1999	1998	CHANGE
Turnover (£m)	512	614	-17%
Profits before tax (£m)	5.1	6.1	-16%

Our strategy has been for some time to concentrate on lower risk work and to seek an improvement in margins. This resulted in lower turnover in 1999 but with a satisfactory increase in the underlying margin. Additionally, the quality of the order book has improved with good margins and substantially reduced risk. However, this has resulted in a situation where the overheads were too high for a reduced workload, which gave rise to redundancies in 1999 and more are expected in 2000.

GREENHAM TRADING

	1999	1998	CHANGE
Turnover (£m)	142	140	+1%
Profits before tax (£m)	6.9	8.7	-21%

Greenham Trading's performance in 1999 was disappointing with profits falling 21% to £6.9 million. This was the result of static turnover as the business suffered from price deflation and a lack of major public works in the UK. The deflation in prices masked a reasonable increase in volume. We are responding by cutting back on overheads in the business.

Interest

Net interest expense rose 87% to £19.8 million reflecting an 85% increase in average debt levels during 1999 although year end net debt was lower than at the end of 1998. The interest charge was £25.0 million and represented 8.3% of average gross borrowings during 1999. Interest remains more than seven times covered.

Taxation

The effective Group tax rate increased as expected from 26.5% in 1998 to 27.5%. We continued to achieve a rate well below the standard UK corporation tax rate due to the use of losses and other reliefs. In particular, Spanish and UK housing companies have benefited from loss carryforwards. Certain of the losses are expected to be fully utilised in 2000 and as a consequence of this, and the fact 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 2000.

Shareholder returns and dividends

Basic earnings per share grew 25% to 21.3p in 1999 from 17.1p in the previous year. The increase is in line with the rise in pre-tax profits with the effect of the rise in the tax charge being offset by a small decrease in the average number of shares in issue.

The proposed final dividend for 1999 brings the full year dividend to 5.45p which is a 6.9% increase. Dividend cover rises to 3.9.

There was a net £67 million increase in shareholders' funds in 1999 mainly comprising the £64 million of profit retained and a £26 million surplus representing the Group's share of the annual revaluation of investment properties less £33 million in respect of the share buyback. Shareholders' funds per share increased 16% to 196.8p.

Share buyback

The company took advantage of the weakness in the share price during the latter part of 1999, as the sector lost favour with institutional investors. We bought back 23.05 million shares, equivalent to 5.7% of the called up share capital on 4 October 1999, at a cost of £33.4 million and a 27% discount to the net asset value at the end of 1999. The £50 million proceeds from the sale of UK investment properties more than covered the cost of the buyback.

The effect of the buyback is an immediate increase in shareholders' funds per share and an enhancement in earnings per share in future years without harming the ability of the Group to expand its core activities.

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	
	1999	1998	1999	1998
United States	1.62	1.66	1.61	1.66
Canada	2.41	2.46	2.34	2.56

The weakening of Sterling favourably affected profit before tax by £1.8 million, turnover by £8.7 million and shareholders' funds by £11.7 million.

Cash flow

There was a cash inflow before financing of £68.8 million in the year compared with an outflow of £116.2 million in 1998. There was a strong operating inflow of £92.5 million despite a net £94 million outflow on residential land and commercial property development. The movement in the balance sheet values of land and development is analysed below:

LAND AND DEVELOPMENT COSTS

	1999 £m	1998 £m	CHANGE
RESIDENTIAL			
UK	219	181	+21%
USA	257	223	+15%
Canada	84	62	+35%
Australia	40	26	+54%
Spain	21	21	–
Total	621	513	+21%
COMMERCIAL	137	122	+12%

In addition, there were £57 million of proceeds from the sale of investment properties in the UK and Canada. The share buyback in the second half of 1999 cost £33 million.

Debt

Gross borrowings, inclusive of our share of debt in FRS9 joint ventures, stood at £308.1 million at the end of 1999 compared with £272.1 million at the end of the previous year.

As expected, net debt rose steadily throughout 1999 due to the continued expansion in housing and property development. However, net debt fell sharply in December mainly due to strong house completions in both the UK and California and £40 million of investment property sales. Net debt at the end of 1999 was £112.6 million which equates to 15.0% gearing compared with 20.7% at the end of 1998. We regard the year end debt position as a short term fluctuation and expect net debt to rise during 2000.

At 31 December 1999, cash balances stood at £138.6 million and undrawn committed facilities amounted to £196.5 million.

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

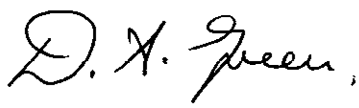
Accounting standards

Two new Financial Reporting Standards have been adopted in the 1999 accounts. These are standards on Provisions, Contingent Liabilities and Contingent Assets (FRS12) and Derivatives and other Financial Instruments: Disclosures (FRS13).

Compliance with these standards has resulted in certain additional disclosures on provisions (see note 22) and for FRS13 significant further explanations of treasury policies as well as numerical disclosures on debt and net monetary assets. The FRS13 disclosures are contained in note 21 on the accounts.

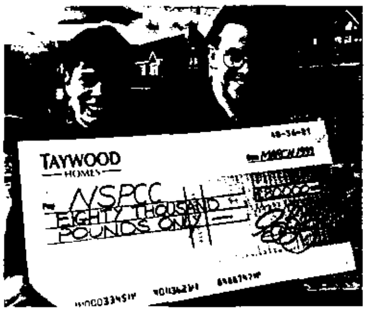
Going concern

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, Financial Director
15 March 2000

Conducting our business responsibly



Taylor Woodrow seeks at all times to conduct its business responsibly.

Developing and informing people

The Group aims to provide team members with the opportunity for personal growth and development. The company and individual will share responsibility for determining and pursuing personal training and development plans to give all team members the skills they need to perform effectively. The Group works hard to communicate in an open and interactive way, internally and externally, through a variety of media.

Equality and safety

Group policy is to offer all team members, regardless of age, ethnic background, marital status, gender or disability, equal opportunity and a non-discriminatory work environment. Entry into and progression within the Group is determined solely on merit and the needs of the business.

The Group safety department, monitored by the chief executive's committee, regularly reviews business units to ensure a safe operating environment for our team, our customers and the public. We encourage proactive participation by the team in identifying and controlling hazards.

Taking the environment seriously

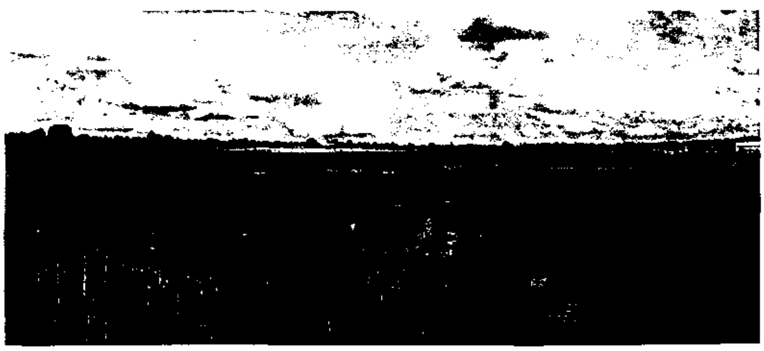
Every part of the business is covered by the Group's environmental policy. Each subsidiary is responsible for policy implementation, training and communication. An annual survey by the Group's environmental panel forms the basis for responses to external surveys such as the 'Business in the Environment survey of Corporate Environmental Engagement and Performance Management'. The development of environmental management systems, the setting of objectives and targets and supply chain management will remain priorities.

Practical environmental solutions are also applied. Taylor Woodrow's engineering division will help BAA plan reed beds and wetlands around Heathrow airport. Two of the Group's construction projects for BAA and one for Railtrack have been selected as demonstrator projects for the Government's 'Movement for Innovation' initiative.

Supporting the local community

Taylor Woodrow made charitable donations totalling £116,310. Under this programme, 85 organisations selected by the Taylor Woodrow Charity Trust benefited. The Trust also set aside £10,000 for an initiative whereby team members can apply for funding to support local, charity or voluntary groups in which they play an active role.

Individual businesses also provide direct financial and practical support. The construction division supports National Construction Week and Young Enterprise. The United States housing business sponsors a programme to build outdoor classrooms and raised US$30,000 for a summer camp for disabled adults and children.



The restoration of the Nadins Opencast Coal site in Derbyshire (left) and Taywood Homes' sponsorship of the NSPCC (top) are just two examples of Taylor Woodrow's commitment to its wider corporate responsibilities.

Board of directors

1 Dr Robert Hawley
2 Keith Egerton
3 David Green
4 Brian Abrahams
5 Paul Phipps
6 Sir Kit McMahon
7 Sir Colin Corness
8 Sir George Russell
9 Norman Broadhurst

† Non-executive director

Dr Robert Hawley CBE, DSc, FRSE, FREng, CEng, FIEE, FIMechE, FInstP
Chairman
Appointed 1998. Became part-time chairman in June 1999. He is a member of the audit and remuneration committees and chairs the nomination committee. Formerly chief executive of British Energy plc, he is an advisor to HSBC Investment Bank plc and chairman of the Engineering Council. His other directorships include Colt Telecom plc. Age 63.

Keith Egerton FRICS
Chief executive
Appointed 1992. Joined Taylor Woodrow in 1991. Formerly chairman of Taylor Woodrow Property Company Limited, he was appointed Group chief executive in November 1998. He chairs the chief executive's committee and is a member of the nomination committee. He is a director of the Group's Canadian subsidiary Monarch Development Corporation. Age 57.

David Green BSc (Econ), FCA
Finance director
Appointed 1988. Joined Taylor Woodrow in 1985, having gained wide experience in financial management in the USA and Europe. He is president of Taylor Woodrow, Inc., the holding company for the Group's USA operations. Age 56.

Brian Abrahams
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. Age 53.

Paul Phipps
Appointed 1998. Rejoined Taylor Woodrow in 1991. The main board director responsible for the Group's worldwide housing operations, he is chairman of Taywood Homes Limited, a director of Monarch Development Corporation, Taylor Woodrow, Inc. and Greenwich Millennium Village Limited, and President of TW Baleares SA. Age 47.

Sir Kit McMahon†
Deputy chairman
Appointed 1991. Senior independent non-executive director. Chairman of the audit and remuneration committees and a member of the nomination committee. Formerly a deputy governor of the Bank of England, his other current directorships include FI Group plc. He has indicated that he will retire from the board at the conclusion of the annual general meeting. Age 72.

Sir Colin Corness†
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. Age 68.

Sir George Russell CBE†
Appointed 1992. He is a member of the audit, remuneration and nomination committees. Formerly chairman of Marley plc, he is chairman of 3i Group plc and Camelot Group plc and a director of Alcan Aluminium Limited and Northern Rock plc. Age 64.

Norman Broadhurst FCA FCT†
Joined the board on 15 March 2000. He is chairman-designate of the audit committee and a member of the remuneration and nomination committees. Formerly finance director of Railtrack plc and VSEL plc, his other directorships include Chloride Group plc, Clubhaus plc, Old Mutual plc and United Utilities plc. Age 58.

The directors of Taylor Woodrow plc take pleasure in submitting their report, together with the audited accounts for the year ended 31 December 1999.

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 statement, the geographical review and the operating and financial review on pages 2 to 18 inclusive.

Results and dividends

The Group's profit on ordinary activities for the financial year before taxation was £125.0 million. The profit after taxation and minority interests, was £84.6 million.

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

	£m
Interim paid 1.65p per share (1998: 1.5p)	6.6
Proposed final 3.8p per share (1998: 3.6p)	14.3
Total	20.9
Profit retained (1998: £47.7m)	63.7

Directors

The names of all directors who hold office at the date of this report appear on page 20. Changes which have occurred during 1999, together with details of directors' remuneration and benefits and their interests in shares, options and contracts with the company appear in the remuneration report on pages 26 to 29 inclusive.

Retirement and re-election of directors

David Green and Sir Colin Corness, directors, retire by rotation at the annual general meeting. Norman Broadhurst, who was appointed on 15 March 2000, retires in accordance with the articles of association. All three directors, being eligible, offer themselves for re-election.

Sir Kit McMahon has indicated that he will retire from the board at the conclusion of the forthcoming annual general meeting and will not seek re-election.

Information concerning the service contracts of the directors appears in the remuneration report on page 29.

Purchase of own shares

Between 5 October and 9 December 1999 the company made market purchases of a total of 23,050,000 of its own shares. Full details of these purchases may be found in the operating and financial review on page 17 and in note 23 to the accounts.

Substantial interests

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

NAME	NUMBER OF SHARES HELD (MILLIONS)	PERCENTAGE OF ISSUED SHARE CAPITAL
BENEFICIAL INTERESTS		
Prudential Portfolio Managers Limited	20.31	5.04
Norwich Union Investment Management Limited and Norwich Union plc	16.08	4.22
Franklin Resources Inc. and affiliates	11.72	3.01

At 15 March 2000 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

Reflecting the importance of engineering in relation to the Group's business, the company continued its programme of research and development on construction technology and allied processes.

Contributions for political and charitable purposes

During 1999, the Group made no contributions for political purposes.

Donations by the Group for charitable purposes amounted to £116,310.

Policy on payment of suppliers

It is Group policy for subsidiaries to establish payment terms with suppliers when entering into each transaction or series of linked transactions. In the absence of dispute valid payment requests are met as expeditiously as possible within such terms. Trade creditor days for the Group for the year ended 31 December 1999 were 48 days, based on the ratio of Group trade creditors (excluding subcontract retentions and unagreed claims of £16.3 million) 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 1999.

Annual general meeting
The annual general meeting will be held at 11.30am on 12 May 2000. 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 reappoint 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 23. Other relevant details appear in the remuneration report on page 26.

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 11 June 1999 for the company to purchase its own shares was in force at 31 December 1999 and remains valid until the conclusion of the forthcoming annual general meeting.

Subject to confirmation at the annual general meeting, the final dividend for 1999 will be posted to members on 30 June 2000 for payment on 3 July 2000. The record date for the final dividend is 31 March 2000.

This report of the directors was approved by the board of directors on 15 March 2000.

R I Morbey, Secretary
15 March 2000

ɔrporate governance

The London Stock Exchange Combined Code

Taylor Woodrow plc maintains good corporate governance procedures, recognising the part they play in creating a framework which can provide increased benefits for shareholders.

The London Stock Exchange Listing Rules require the board to report on compliance throughout the accounting period to 31 December 1999 with the provisions of the London Stock Exchange Combined Code ('the Code').

Throughout the accounting period to 31 December 1999 Taylor Woodrow plc has been in compliance with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange.

The board

The board consists of nine directors whose biographical details appear on page 20. Four of the directors are non-executive. Dr Hawley is the part-time chairman. Four of the directors are executive. The board has reviewed the status of the non-executive directors and has confirmed that it regards them as being independent. The board meets at least 10 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 2000 annual general meeting each director will have submitted himself for re-election 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 29. 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.

Board committees

The board has established the following committees:

The Chief Executive's Committee is chaired by the chief executive, and comprises all the executive directors of the company and certain senior executives of Group companies. Its main function is to assist the chief executive in his review of investment proposals affecting the Group's business and the review of the financial and operational performance of all Group companies and divisions.

Proposals involving major undertakings or matters of strategic significance are subject to detailed review and approval by the main board.

The Audit Committee consists of the non-executive directors and the chairman. It is chaired by Sir Kit McMahon.

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

The committee meets not less than three times each year and has clearly-defined terms of reference. Its main functions include the review of all aspects of accounting policies and areas of judgement 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.

The committee also 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 the non-executive directors and the chairman. It is chaired by Sir Kit McMahon.

Its main function is to set the terms of employment and reward structure of the executive directors and other senior team members, including salary, bonus, pension and other employee benefits. The committee also determines 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 26.

The Nomination Committee consists of the non-executive directors, the chairman and the chief executive. It is chaired by Dr Hawley. It makes recommendations to the board on the appointment of directors. It also regularly reviews succession planning and related matters with the aim of ensuring the effective operation of the board.

Internal control

The Group has adopted the transitional approach for the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999 and reports as follows:

The board confirms that it has approved and commenced its plan to establish the procedures necessary to implement the guidance 'Internal Control: Guidance for Directors on the Combined Code'. It expects to have these procedures, which are set out below, fully in place before the end of the current financial year.

A Group-level review is carried out by the members of the Chief Executive's Committee to identify the major risks facing the Group and to develop and implement appropriate initiatives to manage those risks.

During the business planning process, risk reviews are carried out throughout the Group to identify business risk, evaluate existing controls and to develop strategies for managing risks that remain.

As part of the chief executive's quarterly business performance reviews, assessment is made of the progress against objectives, changes to operational risk, and adequacy of control.

As part of the employee performance appraisal process, individuals are assessed on their ability to manage risk in achieving objectives.

The internal audit function reports to the chief executive on the effectiveness of the risk management strategies of the major operating areas of the Group.

The audit committee considers internal control and risk management on a regular basis. There will be a full risk and control assessment before reporting on the year ending 31 December 2000.

Internal financial control

The directors acknowledge that they are responsible for the Group's system of internal financial control and for reviewing its effectiveness.

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

There is a clearly defined organisational structure within which individual responsibilities are identified and can be monitored.

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

The chief executive 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 board. Budgets are re-examined to ensure they are sufficiently robust to reflect the possible impact of changing economic circumstances.

The chief executive 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.

The Group has clearly defined policies and procedures governing its investment in land, property and other significant assets. These include annual budgets together with detailed appraisal, authorisation and post-investment review procedures. Tenders for construction contracts are subject to approval by the board, chief executive or subsidiary operating management, dependent on the contract value. Investments in Private Finance Initiative (PFI) projects require approval by the board.

In addition to the controls applied by the chief executive, 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.

The board has conducted a review of the effectiveness of the system of internal financial control for the year ended 31 December 1999 and has taken account of material developments which have taken place up to 15 March 2000. The review was performed on the basis of the criteria set out in the 'Guidance for Directors: Internal Control and Financial Reporting' issued in December 1994.

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 1999, the fund held 200,000 shares in Taylor Woodrow plc, representing approximately 0.06% 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 30 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 1999 increases in accrued pension rights are shown on page 27.

Investor relations

The board operates a structured programme of investor relations, based on formal announcements and publications covering 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. Each year 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.

Year 2000

In March 1996 the Group started to implement a comprehensive programme to review, replace and upgrade its systems and facilities to ensure that they would be Year 2000 compliant. In parallel with this programme, the company undertook detailed work to satisfy itself that the impact on the business arising from the systems and installations supplied under contracts with clients should be minimal.

The costs of these programmes were not material to the Group and generally were accommodated within existing budgets for the upgrading of equipment and divisional operating budgets.

To the best of the company's knowledge and belief, its systems have continued to operate satisfactorily in 2000 and it has received no notification of any malfunction in systems and installations supplied to clients.

The company will remain vigilant on this issue and will be incorporating the experience gained from the Year 2000 programme into its contingency planning and business continuity procedures.

Remuneration report

Directors
The names of all directors who hold office at the date of this report are shown on page 20.

At the conclusion of the annual general meeting on 11 June 1999, Colin Parsons retired as director and chairman and Dr Robert Hawley was appointed chairman. Bruce Russell resigned from the board on 1 December 1999. Norman Broadhurst was appointed a director on 15 March 2000.

Policy on executive directors' remuneration
The remuneration committee, whose members are listed on page 24, 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.

These targets are significantly more demanding than the company's own budgets and 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 will disregard factors of a short-term nature.

Bonus awards are made when the financial results for the preceding year are known. It is a requirement that 50% of the award is normally taken in the form of a deferred option, entitling the director to receive shares of the company at 'nil' exercise price. 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 over additional shares of the company. Such shares carry 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 at 'nil' exercise price. Directors who are likely to retire during the periods stated above, will generally receive their bonus in cash.

The ultimate value of bonuses awarded to the directors is therefore closely linked to the future performance of the company's share price.

Details of 1999 bonuses and options awarded pursuant to the Executive Bonus Plan appear in the table of directors' remuneration on page 27.

Directors' bonuses and benefits in kind are not pensionable.

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

Details of the directors' service contracts appear on page 29. The board considers it would not be appropriate at this stage to set notice or contract periods at one year or less, as these arrangements are integral to the overall remuneration strategy, which is designed to reward and retain executive team members on a basis appropriate to its industry sector.

Directors' interests in contracts
During the year, Keith Egerton, a director, exercised an option to purchase a car parking space at City Quay, St Katharine Docks, London E1 from Taylor Woodrow Capital Developments Limited (a wholly-owned subsidiary of the company). The option was contained in a contract for the purchase of an apartment at City Quay which was approved by shareholders under Section 320 of the Companies Act, 1985, at the company's annual general meeting held on 6 June 1997.

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

Senior executives' share option scheme and executive share option plan
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. No executive options are granted at a discount to market value.

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

Executive bonus plan

As explained on page 26 executive bonus awards are satisfied partly by the issue of options at 'nil' exercise price.

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 three months or more.

Details of options granted to and exercised by executive directors during 1999 appear in the table on page 28. Details of options held at 31 December 1999 appear in the table on page 29.

DIRECTORS' REMUNERATION AND PENSION BENEFITS

	REMUNERATION					PENSION BENEFITS		
	SALARY £000	BONUS† £000	BENEFITS IN KIND £000	1999 TOTAL £000	1998 TOTAL £000	INCREASE IN ACCRUED PENSION DURING 1999⁰ £000	TRANSFER VALUE OF INCREASE* £000	ACCUMULATED TOTAL ACCRUED PENSION AT 31.12.99 £000
Chairman:								
Dr R Hawley (appointed 5.11.98; chairman from 11.6.99)	81	–	22	103	4	–	–	–
Executive directors:								
K R Egerton (chief executive)	265[1]	80	16	361	279	15	255	76
D A Green	196	40	11	247	266	8	104	124
B Abrahams	166	34	14	214	226	6	76	111
P D Phipps (from 5.3.98)	194[1]	71	9	274	202	2	13	15
C J Parsons (retired 11.6.99)	141	–	5	146	463	1	11	185
B C Russell (resigned 1.12.99)	165	–	14	179	216	4	58	118
M Laycock (retired 31.12.98)	–	–	–	–	212			
	1,208	225	91	1,524				
1998	1,334	456	78		1,868			
Compensation payment to B C Russell for loss of office*				435	–			
Payment to M Laycock following retirement from office				–	50			
Non-executive directors' fees								
Sir Kit McMahon				50	50			
Sir George Russell				25	25			
Sir Colin Corness				25	25			
				100	100			
				2,059	2,018			

NOTES ON REMUNERATION

The total emoluments of the highest-paid director, K R Egerton, were £361,000 (1998: C J Parsons £463,000).

[1] Includes a non-pensionable salary supplement of: K R Egerton £65,000 (1998: £10,000); P D Phipps £21,000 (1998: £11,000) in respect of a proportion of salary in excess of the Inland Revenue pensionable salary cap.

† As explained on page 26, bonuses are awarded partly in the form of options and partly in cash. For the 1999 bonus awards, part is expected to be awarded in options over approximately 110,000 ordinary shares of the company. The remainder will be distributable in cash of £95,000 (1998: £5,000) including cash from the approved profit-related pay scheme.

* The cost of funding B C Russell's pension entitlements covering his contractual notice period has not been finalised and will be disclosed in the accounts for the year ending 31 December 2000.

NOTES ON PENSION BENEFITS

The accumulated total 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 1999. 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.

The following sums have been accrued in the accounts in respect of the unfunded element of the respective accrued pension entitlements as at 31 December 1999 of: K R Egerton £360,000; C J Parsons £338,000 (1998: £297,000).

⁰ The increase in accrued pension during 1999 excludes any increase for inflation.

* The transfer value of the 1999 increase 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 1.1.99	AT 31.12.99	AT 1.1.99	GRANTED DURING 1999	SAYE OPTIONS EXERCISED DURING 1999	BONUS PLAN OPTIONS EXERCISED DURING 1999	AT 31.12.99
Dr R Hawley	6,100	12,276	–	–	–	–	–
K R Egerton	28,671	42,579	447,966	165,426	6,388ø	12,500†	594,504
D A Green	354,323	386,823	191,818	94,638	–	12,500†	273,956
B Abrahams	10,000	16,605	186,116	58,594	17,968*	10,937‡	215,805
Sir Colin Corness	20,713	31,355	–	–	–	–	–
Sir Kit McMahon	28,763	48,763	–	–	–	–	–
P D Phipps	5,060	5,216	157,824	77,818	–	–	235,642
Sir George Russell	10,596	10,924	–	–	–	–	–

* Exercised on 9 March 1999 at 96p per share. Middle market quotation that day was 184½p.

ø Exercised on 30 November 1999 at 108p per share. Middle market quotation that day was 150½p.

† Exercised on 11 May 1999 at nil consideration per share. Middle market quotation that day was 179p.

‡ Exercised on 9 April 1999 at nil consideration per share. Middle market quotation that day was 178p.

The aggregate amount of gains made by these directors at the date of exercise of their options was £82,834 (1998: £68,000). The highest-paid director made a gain of £25,089 (1998: C J Parsons £11,697) on the exercise of options.

No options lapsed during the year.

At 31 December 1999 each executive director had a notional additional interest in 748,338 ordinary shares of the company, being the unappropriated part of a holding by the trustee of the Taylor Woodrow Group ESOP Trust in connection with the executive bonus plan and the executive share option plan, details of which appear above.

Directors' interests in the shares of Monarch Development Corporation

K R Egerton purchased 2,000 common shares of no par value on 14 April 1999. At 31 December 1999 K R Egerton and D A Green held respectively 2,000 (1998: nil) and 19,550 (1998: 19,550) common shares of no par value.

Other information

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

The middle market quotation of the ordinary shares was 134p at 31 December 1999 (1998: 150.5p) and ranged between 134p and 198.5p during 1999.

OPTIONS HELD BY DIRECTORS IN SHARES OF THE COMPANY

	SENIOR EXECUTIVES' SHARE OPTION SCHEME	EXECUTIVE SHARE OPTION PLAN					
EXERCISE PRICE PER SHARE	117.4p	156.5p	149p	189.5p	157p	160.5p	181p
K R Egerton	25,000	50,000	–	39,578	250,000	100,000	–
D A Green	15,000	50,000	–	39,578	–	–	40,000
B Abrahams	15,000	50,000	–	39,578	–	–	40,000
P D Phipps	14,625	41,390	8,610	52,771	–	–	40,000
Exercisable from:	10.10.97	7.11.99	22.11.99	28.10.00	20.11.01	23.9.02	29.3.02
to:	9.10.04	13.11.06	21.11.06	27.10.07	19.11.08	22.9.09	28.3.09

	EXECUTIVE BONUS PLAN			SAVINGS-RELATED SHARE OPTION SCHEME		TOTALS
	Deferred Award	Qualifying Award	Matching Award			(all schemes)
EXERCISE PRICE PER SHARE	nil	nil	nil	130p	133.2p	
K R Egerton	44,624	51,929	25,964	4,500	2,909	594,504
D A Green	42,061	49,365	24,683	13,269	–	273,956
B Abrahams	35,947	14,674	7,337	13,269	–	215,805
P D Phipps	30,674	26,715	13,357	7,500	–	235,642
Exercisable from:	24.3.00	25.3.97	25.3.00	1.12.01	1.12.02	
to:	16.3.06	16.3.06	16.3.06	31.5.04	31.5.03	

DIRECTORS' SERVICE CONTRACTS

The following directors have service contracts with the company.

NAME	PERIOD OF NOTICE	UNEXPIRED TERM AT 15 MARCH 2000
K R Egerton	Not less than 12 months expiring on 1 December in any year	20.5 months
D A Green	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
B Abrahams P D Phipps	24 months, with a limit of damages for wrongful termination of contract by the company equivalent to 21 months' salary and benefits	24 months

Directors' responsibilities for the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select appropriate accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

Report of the auditors to the members of Taylor Woodrow plc

We have audited the accounts and notes on pages 31 to 51 which have been prepared under the accounting policies set out on pages 31 and 32 and the detailed information disclosed in respect of any directors' remuneration, share options and long-term incentive schemes set out on pages 27 to 29 of the remuneration report.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described above preparation of the accounts, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 23 reflects the company's compliance with the seven 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 consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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 United Kingdom 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 1999 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

Chartered Accountants and Registered Auditors
Hill House, 1 Little New Street, London EC4A 3TR
15 March 2000

.ccounting 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.

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.

onsolidated profit and loss account

the year ended 31 December 1999

CONTINUING OPERATIONS	£m	1999 £m	1998 £m	NOTES
Turnover: Group and share of joint ventures		1,522.0	1,408.0	
Less: share of joint ventures' turnover		(18.0)	(7.5)	
Group turnover		1,504.0	1,400.5	1
Cost of sales		(1,210.1)	(1,157.0)	
Gross profit		293.9	243.5	
Distribution costs		(50.4)	(39.9)	
Administrative expenses		(104.2)	(93.4)	
Group operating profit		139.3	110.2	
Share of operating profit in joint ventures		1.9	0.7	
Profit on disposal of properties		3.6	-	
Profit on ordinary activities before interest		144.8	110.9	
Interest receivable		5.2	10.2	
Interest payable: Group (1998: £20.5m)	(23.1)			
Joint ventures (1998: £0.3m)	(1.9)			
		(25.0)	(20.8)	3
Profit on ordinary activities before taxation		125.0	100.3	1-2
Tax on profit on ordinary activities		(34.4)	(26.6)	6
Profit on ordinary activities after taxation		90.6	73.7	
Minority equity interests		(6.0)	(5.5)	
Profit for the financial year		84.6	68.2	
Dividends paid and proposed		(20.9)	(20.5)	7
Profit retained		63.7	47.7	27
Basic earnings per share		21.3p	17.1p	8
Diluted earnings per share		21.1p	16.9p	8

Consolidated statement of total recognised gains and losses

or the year ended 31 December 1999

	1999 £m	1998 £m
Profit for the financial year	84.6	68.2
Unrealised surplus on revaluation of properties	25.9	21.1
Tax on realised revaluation surplus	(0.9)	-
	109.6	89.3
Currency translation differences on foreign currency net investments	11.7	(6.2)
Total recognised gains and losses relating to the year	121.3	83.1

HISTORICAL COST PROFITS AND LOSSES	£m	£m
Reported profit on ordinary activities before taxation	125.0	100.3
Realisation of property revaluation surpluses/(deficits) of previous years	8.7	(3.4)
Historical cost profit on ordinary activities before taxation	133.7	96.9
Historical cost profit for the year retained after taxation, minority interests and dividends	70.1	44.3

Consolidated balance sheet

at 31 December 1999

FIXED ASSETS	£m	1999 £m	1998 £m	NOTES
Tangible assets				
Investment properties		378.5	397.1	9
Other		101.6	103.9	10
Investments				
Joint ventures				
Share of gross assets (1998: £59.3m)	65.1			
Share of gross liabilities (1998: £55.8m)	(61.4)			
		3.7	3.5	13
		483.8	504.5	
CURRENT ASSETS				
Stocks		781.3	665.4	14
Debtors		153.2	187.6	15
Current asset investments		5.7	4.4	16
Cash at bank and in hand		138.6	81.2	
		1,078.8	938.6	
Creditors: amounts falling due within one year		(482.8)	(476.8)	17
Net current assets		596.0	461.8	
Total assets less current liabilities		1,079.8	966.3	
Creditors: amounts falling due after one year		(235.6)	(202.0)	18
Provisions for liabilities and charges		(14.4)	(11.1)	22
		829.8	753.2	
Represented by:				
CAPITAL AND RESERVES - EQUITY				
Called up ordinary share capital		95.3	100.7	23
Capital redemption reserve		14.2	8.4	24
Share premium account		232.2	231.3	25
Revaluation reserve		125.0	94.4	26
Profit and loss account		283.6	248.9	27
Shareholders' funds		750.3	683.7	28
Minority interests in equity of subsidiary undertakings		79.5	69.5	
		829.8	753.2	

The accounts were approved by the board of directors on 15 March 2000.
Signed on behalf of the board of directors
Dr R Hawley Director
D A Green Director
15 March 2000

D.A. Green

ɔmpany balance sheet

31 December 1999

FIXED ASSETS	1999 £m	1998 £m	NOTES
Tangible assets	2.2	3.7	10
Investments			
Group undertakings	561.1	510.8	12
	563.3	514.5	
CURRENT ASSETS			
Debtors	208.3	274.2	15
Current asset investments	5.7	4.4	16
Cash at bank and in hand	35.2	5.4	
	249.2	284.0	
Creditors: amounts falling due within one year	(128.6)	(143.2)	17
Net current assets	120.6	140.8	
Total assets less current liabilities	683.9	655.3	
Creditors: amounts falling due after one year	(100.7)	(98.2)	18
Shareholders' funds	583.2	557.1	
Represented by:			
CAPITAL AND RESERVES – EQUITY			
Called up ordinary share capital	95.3	100.7	23
Capital redemption reserve	14.2	8.4	24
Share premium account	232.2	231.3	25
Revaluation reserve	10.2	10.4	26
Profit and loss account	231.3	206.3	27
	583.2	557.1	

The accounts were approved by the board of directors on 15 March 2000.
Signed on behalf of the board of directors
Dr R Hawley Director
D A Green Director
15 March 2000

D A Green

Consolidated cash flow statement

for the year ended 31 December 1999

	£m	1999 £m	£m	1998 £m	NOTES
OPERATING ACTIVITIES					
Cash flow from operating activities		92.5		(47.2)	29
DIVIDENDS FROM JOINT VENTURES		0.6		0.3	
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received	5.2		10.4		
Interest paid	(22.5)		(19.7)		
Dividends paid by subsidiary undertakings to minority shareholders	(0.9)		(0.7)		
Net cash outflow from returns on investments and servicing of finance		(18.2)		(10.0)	
TAXATION					
UK Corporation tax paid	(4.6)		(6.7)		
Overseas tax paid	(22.2)		(16.7)		
Tax paid		(26.8)		(23.4)	
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of fixed assets and properties	(20.7)		(34.8)		
Sale of fixed assets and properties	62.5		17.8		
Net cash inflow/(outflow) from capital expenditure and financial investment		41.8		(17.0)	
EQUITY DIVIDENDS PAID		(21.1)		(18.9)	
Net cash inflow/(outflow) before use for liquid resources and financing		68.8		(116.2)	
MANAGEMENT OF LIQUID RESOURCES					
Cash (placed on)/withdrawn from short-term deposit	(47.8)		45.9		
Purchase of current asset investments	(1.3)		(3.0)		
Net cash (outflow)/inflow from management of liquid resources		(49.1)		42.9	29
FINANCING					
Issue of ordinary share capital by Taylor Woodrow plc less contributions to team member share trust	(0.4)		7.8		
Repurchase of ordinary share capital	(33.4)		–		
Debt due within one year:					
new loans	42.7		5.7		
repayment of loans	(52.1)		(8.7)		
Debt due after one year:					
new loans	105.2		51.0		
repayment of loans	(63.3)		(15.4)		
Net cash (ouflow)/inflow from financing		(1.3)		40.4	
Increase/(decrease) in cash in the year		18.4		(32.9)	29

1 Segmental analysis

BY ACTIVITY	TURNOVER BY ORIGIN 1999 £m	TURNOVER BY ORIGIN 1998 £m	PROFIT BEFORE TAXATION 1999 £m	PROFIT BEFORE TAXATION 1998 £m	NET ASSETS 1999 £m	NET ASSETS 1998 AS RESTATED £m
Housing	706.9	540.4	78.1	56.3	439.8	348.6
Property development and investment	122.4	87.7	30.4	22.9	322.1	299.9
Construction	511.5	613.5	5.1	6.1	23.7	7.4
Greenham Trading	141.6	139.8	6.9	8.7	31.1	29.6
Other	21.6	19.1	4.5	6.3	13.1	67.7
	1,504.0	1,400.5	125.0	100.3	829.8	753.2
BY MARKET						
United States of America	327.1	250.8	35.2	27.7	195.8	167.6
Canada	95.1	68.1	11.3	10.2	105.0	90.4
Rest of the world	169.0	175.2	11.4	8.3	53.5	42.4
Total overseas	591.2	494.1	57.9	46.2	354.3	300.4
United Kingdom	912.8	906.4	67.1	54.1	475.5	452.8
	1,504.0	1,400.5	125.0	100.3	829.8	753.2
Minority interests					(79.5)	(69.5)
Shareholders' funds					750.3	683.7

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

Net assets are now stated in line with a widely accepted industry practice after deduction of taxation on profits creditors (including deferred taxation) of £36.3m (1998: £28.4m) and proposed dividends of £14.3m (1998: £14.5m). Segmental net assets also now reflect proposed dividends between segments. Comparative figures for 1998 have been restated accordingly. These changes have resulted in increases/(decreases) in activity and market segments net assets as follows:

	1999 £m	1998 £m
Housing	(33.7)	(24.1)
Property development and investment	(24.7)	(24.3)
Construction	(4.6)	(7.2)
Greenham Trading	(6.1)	(8.8)
Other	18.5	21.5
	(50.6)	(42.9)
United States of America	(2.2)	(3.5)
Canada	(2.9)	–
Rest of the world	(11.0)	(7.7)
United Kingdom	(34.5)	(31.7)
	(50.6)	(42.9)

2 Ordinary profit before taxation

	1999 £m	1998 £m
Ordinary profit before taxation includes:		
Rents on investment properties, less outgoings	31.3	32.8
And is after charging:		
Plant hire	12.0	12.5
Research and development (net of contributions received of £1.3m; 1998: £0.5m)	0.2	0.3
Auditors' remuneration for external audit services (including UK £0.6m; 1998: £0.6m)	0.8	0.8
Auditors' remuneration for other services (including UK £0.8m; 1998: £0.5m):		
Internal audit	–	0.1
Tax advice	0.3	–
Due diligence and other services	0.7	0.6
Depreciation – plant (net of profit on disposal £1.5m; 1998: £2.0m)	13.4	12.7
– mineral rights	0.4	0.4

3 Interest payable

	£m	£m
Bank loans and overdrafts	6.3	4.3
Other loans	16.8	16.2
Group interest payable	23.1	20.5

The Group's share of joint venture net interest payable of net £1.9m (1998: £0.3m) is stated after capitalising joint venture interest of £2.5m (1998: £2.8m).

4 Directors' emoluments

Details of directors' emoluments are contained in the remuneration report on pages 26 to 29.

5 Particulars of team members

AVERAGE NUMBER EMPLOYED	1999	1998
Housing	1,216	1,021
Property development and investment	277	287
Construction	5,144	6,498
Greenham Trading	1,103	1,115
Other	223	237
	7,963	9,158
United Kingdom	4,249	4,887
Overseas	3,714	4,271
	7,963	9,158

REMUNERATION	£m	£m
Wages and salaries	137.9	141.8
Social security costs	11.7	11.6
Other pension costs	9.3	7.7
	158.9	161.1

6 Tax on profit on ordinary activities

	1999 £m	1998 £m
United Kingdom tax – Corporation tax	11.6	15.9
– Relief for overseas tax	(0.7)	(6.2)
Overseas tax – Current	24.3	16.4
– Deferred	(0.9)	(0.2)
Joint ventures	0.1	0.7
	34.4	26.6

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

7 Ordinary dividends on equity shares

	£m	£m
Interim of 1.65p per share (1998: 1.5p)	6.6	6.0
Proposed final of 3.8p per share (1998: 3.6p)	14.3	14.5
	20.9	20.5

8 Earnings per share

	£m	£m
Earnings per share has been calculated by dividing the profit for the financial year	84.6	68.2
by the weighted average number of shares		
for basic earnings per share	396.7m	397.9m
weighted average of dilutive options	3.0m	4.3m
weighted average of dilutive awards under the Group Executive Bonus Plan	1.1m	0.8m
for diluted earnings per share	400.8m	403.0m

9 Investment properties

COST AND VALUATION	FREEHOLD £m	LONG LEASEHOLD £m	TOTAL £m
31 December 1998	284.9	112.2	397.1
Changes in exchange rates	6.2	–	6.2
Additions	1.8	0.4	2.2
Disposals	(38.1)	(15.7)	(53.8)
Net surplus on valuation	20.5	6.3	26.8
31 December 1999	*275.3*	*103.2*	*378.5*
Representing properties valued			
Cost	202.8	68.1	270.9
Net surplus	72.5	35.1	107.6
Valuation in 1999	275.3	103.2	378.5

The investment properties of the Group were valued at £378.5m as at 31 December 1999 by the following valuers, on an open market basis:

Canada – Stewart, Young, Hillesheim & Atlin Limited	C$153.4m equivalent £65.5m
Gibraltar – a team member who is a Fellow of the Royal Institution of Chartered Surveyors	£1.1m
United Kingdom – Knight Frank	£311.9m

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 1998	44.9	4.2	7.5	143.4	200.0
Changes in exchange rates	0.1	–	–	0.4	0.5
Additions	0.5	0.4	–	15.7	16.6
Disposals	(1.8)	–	(0.5)	(22.1)	(24.4)
31 December 1999	43.7	4.6	7.0	137.4	192.7
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	1.6	1.4	7.0	137.4	147.4
DEPRECIATION					
31 December 1998	–	–	2.1	94.0	96.1
Changes in exchange rates	–	–	–	0.3	0.3
Disposals	–	–	(0.5)	(20.1)	(20.6)
Charge for year	–	–	0.4	14.9	15.3
31 December 1999	–	–	2.0	89.1	91.1
NET VALUES					
31 December 1999	43.7	4.6	5.0	48.3	101.6
31 December 1998	44.9	4.2	5.4	49.4	103.9

The other tangible assets of the Group include those of the company which are 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 £0.3m (1998: £0.1m) less depreciation charged in 1999 of £0.2m. The company's freehold property which was stated at cost of £1.5m in 1998 was sold in the year.

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 – JLW Advisory Services Pty. Limited	A$5.3m	£2.2m
Canada – Stewart, Young, Hillesheim & Atlin Limited	C$3.8m	£1.6m
Denmark – ADBO Ejendomsmaeglerfirma MDE	DKr15.8m	£1.3m
Gibraltar – Vail Williams	£0.5m	£0.5m
Ireland – Gunne Property Consultants	IR£0.7m	£0.5m
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

	1999 £m	1998 £m
Contracts placed (wholly in respect of subsidiary undertakings)	2.5	4.5

The Group's share of joint venture contracts placed was £0.7m (1998: £5.7m).

12 Investments in Group undertakings

COST	£m
31 December 1998	550.4
Additions	152.0
Disposals	(130.5)
31 December 1999	571.9
AMOUNTS PROVIDED	
31 December 1998	39.6
Reductions	(29.4)
Charge for year	0.6
31 December 1999	10.8
NET VALUES	
31 December 1999	561.1
31 December 1998	510.8

The investments are all unlisted except for an investment listed overseas included above at cost and net book value of £2.3m (1998: £2.3m). The market value of the listed investment was £1.7m (1998: £1.6m).

13 Investments in joint ventures

COST AND SHARE OF RESERVES	SHARES UNLISTED £m	SHARE OF RESERVES £m	TOTAL £m
31 December 1998	1.8	3.0	4.8
Changes in exchange rates	–	0.2	0.2
Additions	2.2	0.6	2.8
Reductions	–	(1.8)	(1.8)
31 December 1999	4.0	2.0	6.0
AMOUNTS PROVIDED			
31 December 1998	1.3	–	1.3
Reductions	(0.1)	–	(0.1)
Charge for year	1.1	–	1.1
31 December 1999	2.3	–	2.3
NET VALUES			
31 December 1999	1.7	2.0	3.7
31 December 1998	0.5	3.0	3.5

13 Investments in joint ventures continued

The directors' estimate of the value of unlisted investments was £3.7m (1998: £3.5m).
Dividends received from joint ventures were £0.6m (1998: £0.3m).
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 £52.5m and the contracts will continue for periods of one to twenty-five years up to 2024.

14 Stocks

	CONSOLIDATED	
	1999 £m	1998 £m
Raw materials and consumables	2.4	2.1
Finished goods and goods for resale	21.1	27.7
Residential developments		
Land	312.1	272.7
Development and construction costs	308.9	240.6
Commercial, industrial and mixed development properties	136.8	122.3
	781.3	665.4

15 Debtors

	CONSOLIDATED		COMPANY	
RECEIVABLE WITHIN ONE YEAR	1999 £m	1998 £m	1999 £m	1998 £m
Trade debtors	58.5	50.8	–	–
Amounts recoverable on contracts	39.9	75.1	–	–
Group undertakings	–	–	203.0	265.4
Joint ventures	0.5	0.8	0.3	0.3
Other debtors	33.1	38.1	4.2	8.1
Prepayments and accrued income	14.7	12.6	0.8	0.4
RECEIVABLE AFTER ONE YEAR				
Other debtors	6.5	10.2	–	–
	153.2	187.6	208.3	274.2

16 Current asset investments

	CONSOLIDATED		COMPANY	
	1999 £m	1998 £m	1999 £m	1998 £m
Own shares	5.7	4.4	5.7	4.4

These comprise ordinary shares of the company held in trust for the:

Taylor Woodrow Group Executive Bonus Plan	1.9m
Taylor Woodrow Group Executive Share Option Plan	1.7m
Taylor Woodrow Group Savings-Related Share Option Scheme	0.7m

The market value of the shares at 31 December 1999 was £5.7m (1998: £4.4m). Dividends on these shares have been waived except for 0.01p per share. 3.5m 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)	12.6	15.4	–	–
Bank loans and overdrafts (note 20)	15.5	21.8	–	3.4
Payments received on account	90.0	96.6	–	–
Trade creditors	175.1	155.6	0.4	0.2
Group undertakings	–	–	101.4	109.9
Joint ventures	0.8	0.9	–	–
Taxation on profits	33.3	25.2	–	1.5
Other taxation and social security	8.2	8.6	1.0	1.0
Other creditors	10.2	18.4	–	–
Accruals and deferred income	122.8	119.8	11.5	12.7
Dividend	14.3	14.5	14.3	14.5
	482.8	476.8	128.6	143.2

18 Creditors: amounts falling due after one year

	£m	£m	£m	£m
Debenture loans (note 19)	180.2	173.8	95.4	95.0
Bank loans and overdrafts (note 20)	48.6	16.3	–	–
Other creditors	1.4	6.5	–	–
Accruals and deferred income	5.4	5.4	5.3	3.2
	235.6	202.0	100.7	98.2

Included in accruals at 31 December 1999 is £5.4m in respect of continuing post-retirement healthcare 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 1999, assuming a discount rate of 5% per annum and an increase in medical expenses of 10% per annum. The premium cost to the Group in respect of retired long-service team members for 1999 was £0.2m (1998: £0.2m).

19 Debenture loans

	CONSOLIDATED 1999 £m	1998 £m	COMPANY 1999 £m	1998 £m
6.92% debentures 2004 – unsecured	17.1	15.6	–	–
7.56% notes 2005 – unsecured	26.5	30.0	–	–
7.333% debentures 2008 – unsecured	18.8	17.2	–	–
9.5% first mortgage debenture stock 2014	95.4	95.0	95.4	95.0
Other secured loans at rates of interest from 0% to 11.4%				
Repayable wholly within five years	31.1	20.1	–	–
Repayable by instalments over periods exceeding five years	3.9	11.3	–	–
	192.8	189.2	95.4	95.0
Repayable				
In more than 1 year but not more than 2 years	9.7	8.1	–	–
In more than 2 years but not more than 5 years	55.7	23.8	–	–
In more than 5 years – instalment loans	19.4	14.1	–	–
– other	95.4	127.8	95.4	95.0
Total falling due in more than 1 year	180.2	173.8	95.4	95.0
In 1 year or less	12.6	15.4	–	–
	192.8	189.2	95.4	95.0

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

The fair value of debenture loans at 31 December 1999 is similar to book value at that date except for the 9.5% first mortgage debenture stock 2014 which had a fair value of £127.3m based on the average market price at 31 December 1999.

20 Bank loans and overdrafts

	£m	£m	£m	£m
At rates of interest from 5.25% to 36%				
Repayable				
In more than 1 year but not more than 2 years	13.4	2.1	–	–
In more than 2 years but not more than 5 years	33.0	12.1	–	–
In more than 5 years	2.2	2.1	–	–
Total falling due in more than 1 year	48.6	16.3	–	–
In 1 year or less or on demand	15.5	21.8	–	3.4
	64.1	38.1	–	3.4

Consolidated secured bank loans and overdrafts amounted to £20.9m (1998: £23.0m). Secured bank loans and overdrafts are secured principally on certain investment, fixed asset and development properties and amounts recoverable on a contract.

The fair value of bank loans and overdrafts at 31 December 1999 is similar to their book value at that date.

At 31 December 1999, the Group had undrawn committed borrowing facilities expiring as follows:

	CONSOLIDATED £m
In more than 2 years	134.8
In more than 1 year but not more than 2 years	31.5
In 1 year or less	30.2
	196.5

21 Treasury policy and financial instruments

As allowed by FRS13, the disclosures set out below exclude all short-term debtors and creditors.

DISCLOSURE OF OBJECTIVES, POLICIES AND STRATEGIES:

The Group treasury function operates within policies and procedures approved by the board. These include strict controls on the use of financial instruments in managing the Group's financial risk. The objectives are to manage financial risk, to ensure sufficient liquidity is maintained to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not undertake any speculative or trading activity in financial instruments or foreign currencies. Treasury functions are centralised in our main geographic locations. All treasury operations must remain in compliance with Group policy and are closely monitored by the Group treasury department and reported to the chief executive's committee twice monthly.

Borrowing is required primarily for property investment, property development and housing. In addition to equity and retained profits, a mixture of bank debt, mortgages, private placements and our first mortgage debenture are used to finance our property and housing operations.Where possible, temporary cash balances made available by our construction companies are used to reduce our short-term borrowing requirements.

The Group maintains a balance between certainty and flexibility through the use of term borrowings, overdrafts and committed revolving credit facilities with a range of maturity dates. It is the Group's policy to maintain committed facilities with overlapping maturity dates in order to ensure continuity of funding.

The Group manages its interest rate exposure by obtaining the appropriate form of finance for the underlying assets. Equity and retained profits are primarily used to finance our fixed assets, investment properties, land bank and commercial developments. Fixed rate term borrowings are used to partly finance our investment properties in order to match fixed rental income and tenure of lease. Short-term borrowings are primarily required to finance net current assets other than land bank and commercial developments and are therefore kept at floating rate. The Group will also use derivatives to manage interest rate exposure but only if deemed commercially appropriate and combined with underlying borrowings.

INTEREST RATES AND CURRENCIES OF CASH AND DEBT AT 31 DECEMBER 1999:

			FIXED RATE DEBT			ZERO RATE DEBT	
	CASH £m	FLOATING RATE DEBT £m	FIXED RATE DEBT £m	WEIGHTED AVERAGE INTEREST RATE %	WEIGHTED AVERAGE TIME FOR WHICH RATE IS FIXED Years	ZERO RATE DEBT £m	WEIGHTED AVERAGE TIME UNTIL MATURITY Years
STERLING	61.7	14.7	95.4	9.5	14.3	10.3	2.1
US DOLLARS	44.0	29.3	26.5	7.6	3.3	0.1	–
CANADIAN DOLLARS	4.4	5.9	67.1	7.6	4.4	2.3	0.9
OTHER	28.5	4.2	1.1	9.7	1.1	–	–
	138.6	54.1	190.1	8.6	9.2	12.7	1.9

Floating rate borrowings bear interest based on short-term inter-bank rates (principally LIBOR applicable to periods of three months or less). Cash which is all at floating rates, yields interest based on short-term inter-bank rates applicable to periods of three months or less.

A large proportion of the Group's net assets is in currencies other than sterling with the result that currency movements can affect the balance sheet.

21 Treasury policy and financial instruments continued

The Group takes a long-term view on its foreign investments and where appropriate, foreign currency translation exposure is reduced by partially financing overseas assets with local borrowings of the same currency. Derivatives are not used to hedge translation exposure and neither the company nor its subsidiaries have any foreign currency borrowings as a hedge to their foreign currency equity investments.

The Group does not take unnecessary risks with foreign currency transactions and it is the responsibility of operating subsidiaries to either avoid or hedge significant exposures back to their functional currency using derivatives or foreign currency borrowings. Foreign exchange hedging transactions are restricted to those required to hedge underlying commercial transactions and may not be used for speculative purposes. Currency options may be purchased within agreed policy but the uncovered purchase and writing of options is not permitted.

CURRENCY ANALYSIS OF NET MONETARY ASSETS/(LIABILITIES) DENOMINATED IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY OF THE OPERATIONS INVOLVED AT 31 DECEMBER 1999:

FUNCTIONAL CURRENCY OF OPERATIONS	NET MONETARY ASSETS/(LIABILITIES) DENOMINATED IN OTHER CURRENCIES			
	STERLING £m	US DOLLARS £m	OTHER £m	TOTAL £m
STERLING	–	(0.3)	(9.1)	(9.4)
CANADIAN DOLLARS	–	10.8	–	10.8
OTHER	5.6	(3.0)	(1.2)	1.4
TOTAL	5.6	7.5	(10.3)	2.8

22 Provisions for liabilities and charges

DEFERRED TAXATION	CONSOLIDATED £m
31 December 1998	3.2
Changes in exchange rates	0.3
Other movements	0.4
Credited to profit and loss account	(0.9)
31 December 1999	3.0

The balance arises from the effect of timing differences.

OTHER PROVISIONS	RESTORING MINERAL-BEARING LAND £m	HOUSING MAINTENANCE £m	£m
31 December 1998	5.2	2.7	7.9
(Credited)/charged to profit and loss account	(0.2)	5.2	5.0
Utilised	–	(1.5)	(1.5)
31 December 1999	5.0	6.4	11.4
TOTAL PROVISIONS			14.4

There is no unprovided deferred taxation other than that relating to surpluses arising on revaluation of properties referred to in note 26.

The provisions in respect of the cost of restoring land from which minerals have been extracted have been made following assessments of the likely costs to meet a subsidiary's obligations. Payment of these costs is likely to occur over a period of twenty-five years. The provisions in respect of housing maintenance arise principally from warranties and other liabilities on housing sold and payment of these costs is likely to occur over a period of 10 years.

23 Ordinary share capital

AUTHORISED	1999 £m	1998 £m
560,000,000 shares of 25p each (1998: 560,000,000)	140.0	140.0

CALLED UP, ALLOTTED AND FULLY PAID		
381,204,287 shares of 25p each (1998: 402,821,235)	95.3	100.7

During the year options were exercised on 1,433,052 ordinary shares at varying prices from 85.6p to 156.5p and that number of shares was issued for a total consideration of £1.6m.

During the year 23,050,000 ordinary shares were repurchased at 140p to 150p per share and cancelled. The repurchases were in accordance with the authorisation by shareholders on 11 June 1999.

Under the Group's senior executives' share option scheme and executive share option plan, team members held options at 31 December 1999 to subscribe for 6,938,915 shares (1998: 6,360,669) at prices between 107.2p and 219.96p per share exercisable up to 22 September 2009. Under the Group's savings-related share option scheme, team members held options at 31 December 1999 to subscribe for 10,416,669 shares (1998: 9,953,587) at prices between 85.6p and 143.0p per share exercisable up to 31 May 2005.

24 Capital redemption reserve

	£m
31 December 1998	8.4
Transferred from share capital in respect of shares repurchased in 1999	5.8
31 December 1999	14.2

25 Share premium account

	£m
31 December 1998	231.3
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	1.2
31 December 1999	232.2

26 Revaluation reserve

	CONSOLIDATED £m	COMPANY £m
31 December 1998	94.4	10.4
Unrealised exchange differences	6.4	–
Realised and transferred to profit and loss account	(1.7)	(0.2)
Net surplus on property valuations	25.9	–
31 December 1999	125.0	10.2

The consolidated revaluation reserve includes surpluses arising on revaluation of properties, which, if realised at 31 December 1999, would have given rise to a maximum taxation liability of £11.9m (1998: £4.2m).

27 Profit and loss account

	£m	£m
31 December 1998	248.9	206.3
Exchange differences	5.3	–
Shares repurchased (including expenses)	(33.4)	(33.4)
Transfer to share premium account	0.3	0.3
Transfers from revaluation reserve	1.7	0.2
Tax on realised revaluation surplus	(0.9)	–
Contributions to team member share trust	(2.0)	–
Balance for the year retained	63.7	57.9
31 December 1999	283.6	231.3

The profit of the company for the financial year was £78.8m (1998: £65.1m).

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 £5.5m (1998: £5.8m) 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.

28 Reconciliation of movements in shareholders' funds

	£m	1999 £m	1998 £m
Profit for the financial year		84.6	68.2
Dividends		(20.9)	(20.5)
		63.7	47.7
Other recognised gains and losses relating to the year (net)		36.7	14.9
New share capital subscribed (1998: £8.2m)	1.6		
Less: contributions to team member share trust (1998: £0.4m)	(2.0)	(0.4)	7.8
Shares repurchased		(33.4)	–
Revision to goodwill written off in 1997		–	0.6
Net increase in shareholders' funds		66.6	71.0
Opening shareholders' funds		683.7	612.7
Closing shareholders' funds		750.3	683.7

29 Consolidated cash flow statement

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	1999 £m	1998 £m
Operating profit	139.3	110.2
Depreciation	13.8	13.1
Increase in stocks	(93.9)	(164.7)
Decrease in debtors	32.3	8.2
Decrease in creditors	(0.3)	(18.9)
Exchange adjustments	1.3	4.9
Net cash inflow/(outflow) from operating activities	92.5	(47.2)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
Increase/(decrease) in cash in the year	18.4	(32.9)
Cash inflow from increase in debt	(32.5)	(32.6)
Cash outflow/(inflow) from increase/(decrease) in liquid resources	49.1	(42.9)
Change in net debt resulting from cash flows	35.0	(108.4)
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	(5.6)	3.8
Movement in net debt in the year	29.1	(104.9)
Net debt at 1 January	(141.7)	(36.8)
Net debt at 31 December	(112.6)	(141.7)

ANALYSIS OF NET DEBT	AT 1 JANUARY 1999 £m	CASH FLOW £m	NON-CASH CHANGES £m	EXCHANGE MOVEMENT £m	AT 31 DECEMBER 1999 £m
Cash at bank and in hand	81.2	55.6	–	1.8	138.6
less					
Deposits due after one day	(39.3)	(47.8)	–	(0.9)	(88.0)
Overdrafts on demand	(17.2)	10.6	–	(0.1)	(6.7)
		18.4			
Debt due after one year					
Debenture loans	(173.8)	(8.8)	7.9	(5.5)	(180.2)
Bank loans	(16.3)	(33.1)	1.8	(1.0)	(48.6)
Debt due within one year					
Debenture loans	(15.4)	11.6	(8.2)	(0.6)	(12.6)
Bank loans and overdrafts	(21.8)	8.4	(1.8)	(0.3)	(15.5)
add back					
Overdrafts on demand	17.2	(10.6)	–	0.1	6.7
		(32.5)			
Liquid resources					
Deposits due after one day	39.3	47.8	–	0.9	88.0
Current asset investments	4.4	1.3	–	–	5.7
		49.1			
Total	(141.7)	35.0	(0.3)	(5.6)	(112.6)

30 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 £9.3m (1998: £7.7m) of which £1.0m (1998: £0.8m) 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 1999 was issued on 18 January 2000. 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, pensions and dividends. It was assumed that the investment return would be 8.5% per annum, that salary increases would average 7% per annum, that present and future pensions would increase at the rate of 3.5% per annum and that dividends would grow at the rate of 5% per annum. The rate of dividend growth has been increased from that assumed in earlier actuarial assessments to reflect the change in the pattern of UK shareholder returns.

At the date of the latest actuarial valuation, the market value of the assets of the UK scheme was £379.4m and the actuarial value of the assets was sufficient to cover 95% 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 increased so as to remove the deficit 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.

31 Contingent liabilities

A Group subsidiary has given guarantees of £5.2m in respect of certain liabilities due by companies with which Group subsidiaries are in joint arrangement.

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 £63.1m (1998: £45.9m).