VINCI PLC
Annual Report 2007

VINCI PLC

Contents

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Company Information

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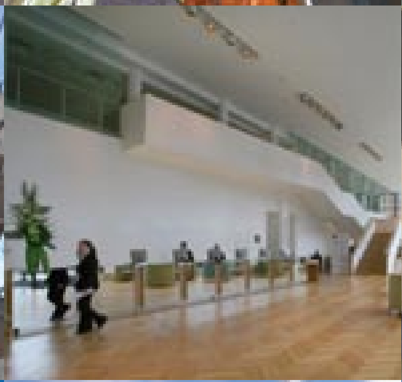





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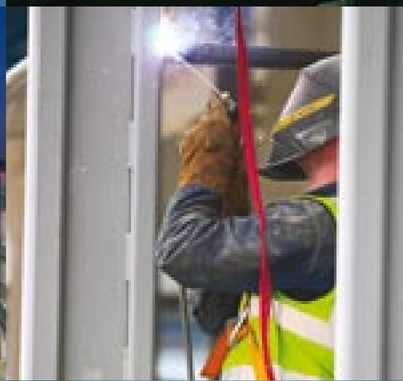
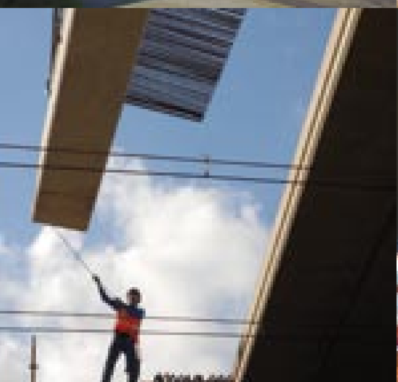
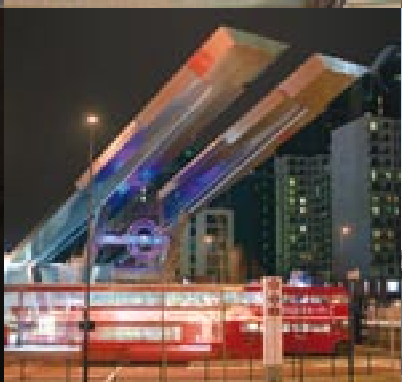
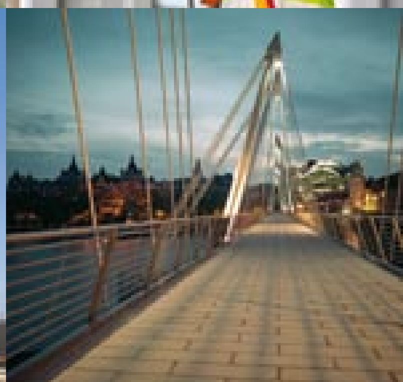
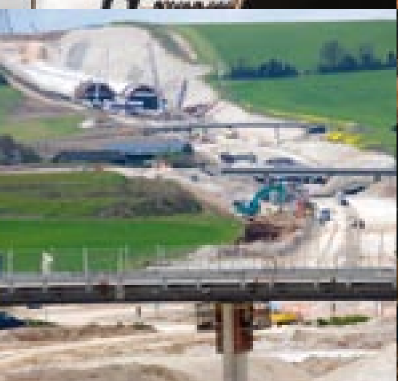









Chief Executive's Report

Operating and Financial Review

In 2007 the financial results of VINCI PLC exceeded expectations.

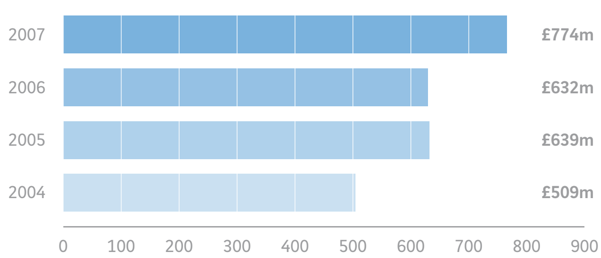
As I foreshadowed in my report last year, 2007 was to be a year in which we would achieve further growth in our financial results, continuing to move towards our medium term strategic objective of controlled expansion in our chosen markets and towards sales of £1 billion by the end of this decade.

In 2007 those objectives were fulfilled, with increased turnover, profit and cash generation. Turnover increased by 22% to £774 million on which profit before tax of £40.5 million was recorded. This equates to a profit of 5.2% of sales. Whilst it was boosted by certain one off items, including the sale of investments, it was a remarkably good achievement, capping 12 years of improvement in the Group's performance. In addition to this, the underlying cash flow improved again with a net inflow of funds during the year of £41 million, bringing cash in hand to £153 million.

The Group's financial position is underpinned by its strong balance sheet and high levels of cash in hand.

Underlying this we have, over many years, sought to strengthen the position of the final salary pension scheme and to de-risk it as much as possible by limiting the growth in future liabilities and rebalancing the asset portfolio towards lower investment risk. The actuarial valuation of the scheme contained in this Report indicates that the scheme was in surplus at December 31st 2007. Whilst equity markets remain volatile there is always the risk that investment performance may suffer going forwards, but we have increased progressively the weighting towards bonds, which now represent approximately 50% of the portfolio, whilst capping the amount by which pensionable salary can increase in future years for active members. The final salary scheme was closed to new members in 2000 and replaced with a defined contribution scheme. The funding regime for the final salary scheme will be set in future years to maintain the current balance between assets and liabilities as closely as possible. Whilst none of these measures in themselves eliminate all residual risk to the Company, they do go a long way towards limiting the downside profile of the scheme.

The order book at the start of 2008 fell slightly to £442 million.



Group Turnover (millions)

Acquisitions and Disposals

VINCI PLC's long term strategy is to focus on its key activities of building, civil engineering, interior fit-out and maintenance. As part of this strategy, the Company has continued to develop a network of well established regional building contractors to undertake building work with a contract value up to £10 million throughout England and Wales. Establishing a regional presence in this way will make the most of existing regional knowledge, reputations and relationships, complementing and extending the offering of VINCI PLC's regional operations.

Weaver PLC

In June 2007, Weaver PLC became a wholly owned subsidiary of Norwest Holst Limited. A successful construction company based in Bromsgrove in the West Midlands, Weaver PLC had a turnover of £41 million in 2007 and 140 employees. Weaver has continued to trade successfully following the acquisition.

Rosser & Russell Maintenance Limited

In February 2007, the mechanical and electrical contracting business of Rosser & Russell Maintenance Limited was sold to EMCOR Group (UK) PLC. The management of the maintenance activity of Rosser & Russell was transferred to the Building & Facilities Division of Crispin & Borst Limited.

McGill Services Limited

In December 2007, VINCI PLC completed the sale of McGill Services Limited to Hertel UK Limited, part of Hertel Beheer BV, a Dutch based worldwide industrial services provider. McGill specialised in the offshore and ship building sectors as well as undertaking work in the oil and gas industry.

Fifehead Limited

In January 2008, Norwest Holst Limited acquired the entire share capital of Cardiff based building contractor Fifehead Limited, the holding company of Stradform Limited, Stradform (Midlands) Limited and Stradform (South West) Limited. The Company has an annual turnover in the region of £75 million, 126 employees and undertakes contracts ranging in value from £3 million to £15 million.

Gordon Durham & Co. Limited

In February 2008, Norwest Holst Limited acquired the entire share capital of Tyne & Wear based building contractor Gordon Durham & Co. Limited. The Company has an annual turnover in the region of £20 million and undertakes contracts of up to £10 million in the Newcastle area.

Opposite: Maximus Office Headquarters, Worcester

Chief Executive's Report (continued)

Review of Operations

Norwest Holst Limited

The principal trading activities of VINCI PLC are carried out through the divisions and subsidiaries of Norwest Holst Limited.

Norwest Holst Building Division

Turnover of the Building Division increased by £88 million to £353 million in 2007 (£265 million 2006) on which a profit before tax of £14.3 million was recognised. Two new offices were opened at Wakefield in Yorkshire and Reigate in Surrey, which will assist with the continued strategic growth of the business by expanding geographical coverage. Turnover has increased over the past four years from £150 million to over £350 million.

One of the main features of the year was the amount of work undertaken in the education sector, which accounted for over 40% of turnover. Under a new PFI agreement between Doncaster Council and VINCI Investments, the Division was awarded the design and construction contracts for two new secondary schools.

Work continued on two contracts to provide student accommodation worth £33.5 million and £55 million respectively at the University of Birmingham and Brunel University in Uxbridge, Middlesex. A further £32.5 million contract was awarded for the design and construction of additional student accommodation at Lancaster University, continuing a series of projects which the Division has undertaken on the campus.

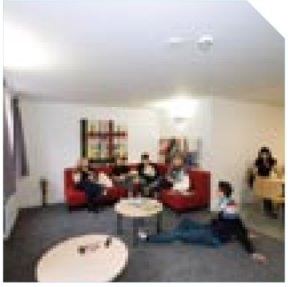
A £13 million contract was completed to build a new Faculty of Arts, Design and Technology for the University of Derby and in Coventry, a £9 million contract commenced for the University of Warwick.

Work continued on the design and construction of a new £26 million primary, secondary and Sixth Form College for Leicester Grammar School and a £27 million contract was completed in Hackney, East London for the Petchey Academy. A number of primary and secondary school contracts were awarded to the Division amounting to almost £50 million.

In the defence sector, the Division continued work on the £106 million contract at RAF Northolt as part of Defence Estates Project MoDEL (Ministry of Defence Estate in London) to redevelop RAF Northolt in West London to provide living and working accommodation for service personnel being relocated from six other MoD sites in the London area.

Two major car parks are under construction for Hammerson PLC. The first is a £34 million contract to design and build a 2,600 space facility in Bristol. The second is a £39 million contract to design and construct a multi-storey car park in Leicester.

In the industrial sector, the Division was awarded a £9.7 million contract by Veolia Environmental Services to design and construct a combined Material Recovery and Waste Transfer Station in Brighton. Two contracts were secured worth £23 million from Astral Developments for new warehousing at Cabot Park in Avonmouth, Bristol and a £12 million contract was awarded for a distribution warehouse in Basildon, Essex.



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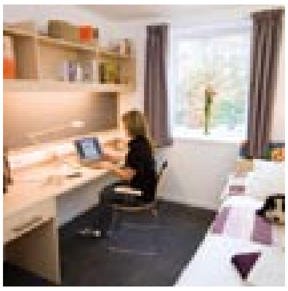

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1 & 2. Lancaster University Student Accommodation Phase 4
3. University of Derby
4. Brunel University Student Accommodation

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Chief Executive's Report (continued)

"Turnover in the Building Division has increased over the past four years from £150 million to £350 million."

Norwest Holst Building Division (continued)

The Division continued to be actively engaged in the healthcare sector, with the completion of a £10 million multi-storey car park at Milton Keynes General Hospital and a £14 million contract to construct pathological laboratories in Oldham. Both contracts were undertaken through the NHS ProCure21 initiative by Integrated Health Projects (IHP), a joint operation between Norwest Holst and Sir Robert McAlpine.

A number of projects were undertaken in the commercial sector including the completion of an £11.5 million contract to refurbish a fire damaged building in Covent Garden. A £6.3 million contract was awarded to design and construct 19 office units as part of the transformation of Widnes Waterfront. An £18 million contract was completed at Shannon's Mill in Walsall comprising a supermarket, multi-storey car park and 41 apartments. In Gloucester, under a £7 million contract, a new office block was designed and constructed at Gloucester Business Park.

Below: Milton Keynes General Hospital MSCP
Opposite: Mason Hall Student Accommodation, Birmingham University

Civil Engineering Division

Turnover in the Civil Engineering Division increased to £90 million (£68 million in 2006) on which a profit of £3.5 million was recognised before tax (£300,000 in 2006).

Further contracts were secured as part of Severn Trent Water's five year Asset Management Programme, AMP4. To date, the Division has secured contracts to the value of £43 million, of which £17 million were awarded in the year.

The Division was involved in a number of road projects. Two contracts worth a total of £11.5 million were completed on the M20 in Kent and the final section of the Gloucester South West Bypass was opened in the spring of 2007. Norwest Holst has carried out two contracts on this scheme worth a total of £29 million. In Walsall Town Centre an £11.5 million contract is underway to upgrade the ring road to dual carriageway. On the M1, Derbyshire County Council awarded the Division a contract for £4.5 million to construct a new junction.

In October, a Joint Venture comprising Norwest Holst, VINCI Grands Projets and Costain submitted a bid for the design and construction of a phased project to widen the M25 for a distance of 63 miles to four lanes in each direction. The construction bid was made to FLOW, a consortium comprising VINCI Concessions, Carillion, Costain and John Laing who are one of three groups tendering for the contract to widen, maintain and operate the road for 30 years.

In the rail sector, the Division constructed a new station under an £11 million contract at White City on the West London Line, providing access to the new shopping and leisure destination currently under construction. A £6 million contract was awarded for the construction of a new bridge over the Great Eastern Railway at Bishop's Place in London. An £11 million contract commenced for the enclosure of the North London Line at Stratford in East London. The enclosure is in preparation for this section of line to be converted into the new Dockland's Light Railway that will serve Stratford International Station and the Stratford Station and is the first new build project to be awarded on the site of the 2012 Olympic Park. A further contract for £16 million has subsequently been awarded to the Division by Lend Lease Europe for a 360 metre length of enclosure. The London Borough of Barnet awarded the Division a £7.3 million contract for the demolition of two existing brick railway arches and construction of two new railway bridges on the Midland Main Line, adjacent to the M1 motorway in Hendon, North London. Work continued on two contracts worth £14 million for Network Rail. These form part of the West Coast Mainline modernisation project, which will expand the line from two to four tracks on the route through Staffordshire. A number of bridge replacements and upgrades were also awarded.

1. Stratford City Rail Project
2. Barnet Regeneration
Opposite: Gloucester South West Bypass


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Norwest Holst Civil Engineering Division (continued)

In the nuclear sector, Norwest Holst Civil Engineering completed the design and construction of a waste encapsulation plant at Harwell, in Oxfordshire under a £1.5 million contract for RWE NUKEM. During the year NUKEM was acquired by Freyssinet, a subsidiary of VINCI Construction SA. The former UK-based joint venture company known as Norwest Holst Freyssinet Nuclear Limited was wound up and, henceforth, Norwest Holst will co-operate closely with NUKEM in pursuing projects in the nuclear decommissioning sector in the UK and eventually in the development of new nuclear power stations, if and when they are developed. The Division is currently working with NUKEM as its design partner on a £36 million contract forming Stage 1 of the Sellafield Silos Direct Encapsulation Project (SDP). This project will be worth a total of £170 million and is one of the largest to be undertaken by the British Nuclear Group in recent years. Stage 1 involves the removal of redundant equipment from an existing building, new construction work, the design of process plant and equipment and the extension of the building. The purpose of the SDP plant is to encapsulate intermediate level nuclear waste in boxes for transfer to a long term storage facility.

In the field of alternative energy, the Division completed £4.5 million of civil engineering work on a bio-fuel plant for Dutch company, Nedalco. It is actively seeking more work is this sector.

The waste management sector continues to develop in the UK. The Division was awarded two contracts by Veolia Environmental Services Nottinghamshire Limited, the larger of which is an £8 million project to design and construct a Materials Recycling Facility at Mansfield. The second, smaller contract, involves the design and construction of a Household Waste Recycling Centre in Worksop. A third contract is anticipated in 2008 under the PFI agreement between Veolia and Nottinghamshire County Council for waste management services.

The capability of VINCI Environnement, a subsidiary of VINCI SA in France, and the expertise of Norwest Holst's Civil Engineering Division have been brought together in a new company – VINCI Environment UK Limited. The 50/50 joint venture between the two parties has the capability and experience to deliver major sustainable waste treatment technology and waste to energy projects for operators and local authorities in the UK.

Below: Energy from Waste Site, Andorra la Vella, Andorra. Bottom: Royal Nedalco Ethyl Alcohol Plant, Manchester

In addition to its Civil Engineering capabilities, Norwest Holst Environment (NHE) specialises in the remediation of Brownfield land, offering a comprehensive range of solutions including soil washing, scrubbing and bio-remediation. NHE has recently invested in the construction of a bespoke test rig, capable of washing up to 30 tonnes of soil per hour and cleaning fine particles of contaminates. The test rig is currently in the commissioning stage and is running trials. During the year, further infrastructure work has been carried out for P&O Developments on the site of a disused domestic refuse tip in Grimsby.

Crispin & Borst Limited

Crispin & Borst's turnover increased to £151 million (£148 million in 2006).
Profit before tax amounted to £3.4 million (£5.3 million in 2006).

Good progress continues to be made on the Prison Service design and build refurbishment programme which generates a large proportion of the Company's turnover. The current portfolio of work has reached a contract value in excess of £68 million, with projects worth around £40 million currently in progress. A further £50 million of projects are in the design phase.

The Metropolitan Police has been a key client of Crispin & Borst for more than 20 years. Contracts include measured term and reactive maintenance as well as mechanical and electrical installations to various facilities including section houses, police stations, cells and headquarters buildings. Two 25 year FM contracts worth £30 million are being carried out at police headquarters in Swindon, Wiltshire and Medway in Kent.

A £3.5 million contract was completed to create the new Gorilla Kingdom at London Zoo as part of a new African rainforest attraction. The Company is now carrying out a £2 million contract to modify the Tropical Bird House.

A £2.3 million project was completed at Guy's & St Thomas' Hospital which involved re-cladding the existing boiler house, the relocation of the Friends of Guy's shop and improvements to the car parking and adjacent roads.

Several multimillion pound contracts were completed for private clients including the construction of an unusual five bedroom semi-subterranean house with an indoor swimming pool, gymnasium and sauna. A £3.6 million contract was awarded to refurbish a number of Grade II listed terraced houses and mews buildings in Robert Adam Street for the Portman Estate. The Company is underway with a £1.2 million contract to convert a large building in Gower Street, London WC1 into eight self contained flats. The Company has undertaken a number of contracts as part of the Government's Decent Homes Initiative. These include the renewal of windows, refurbishment of kitchens and bathrooms as well as the renewal of central heating and electrical services.

A 25 year FM contract worth £28 million is in progress at five schools in Derby and facilities management services will be provided over a 25 year period as part of the £45 million PFI deal signed by Doncaster Council and VINCI Investments. Two contracts were awarded by the Westminster Roman Catholic Archdiocese Trustees: a £5 million contract to construct a two-storey primary school in Perivale, Middlesex and a £5.3 million contract to construct a new 660 pupil primary school in Ruislip, Middlesex. A £3.5 million contract is underway for Kent County Council to refurbish and extend Bower Grove School in Maidstone, a special needs school with over 200 pupils. Two contracts were completed for the same client: the construction of a vocational centre including a horticultural unit and catering facility; the construction of a single-storey sports hall.

1. Tropical Bird House, London Zoo 2. Robert Adam Street, London
Opposite: Guy's Approaches, Guy's & St Thomas' Hospital


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Crispin & Borst Limited (continued)

A £1 million contract was awarded for the refurbishment of Wilkins Library at University College London. The maintenance contract with Imperial College London includes the delivery of reactive maintenance and project works to the University's extensive campuses in London's scientific and cultural heartland of South Kensington.

At the Eurolink Business Park in Sittingbourne, Kent, a £2.5 million contract was successfully completed for Graftongate Developments to provide a new head office and production facility for Powakaddy. A further contract worth £3.9 million has been awarded and comprises the construction of a single storey extension to existing factory premises for FloPlast Limited. Constructed for Henry Boot Developments, a £9.2 million contract was completed for the design and construction of an amenities building as part of a service station development in Kent called STOP 24.

The restoration of Grade II listed Valentines Park and Mansion in Ilford, Essex has a combined value of £5 million and is being funded by the Heritage Lottery Fund. A £5 million contract is underway to restore the 18th and 19th century style landscape of Priory Park in Reigate, Surrey. A £1.1 million contract is in progress to refurbish four floors of the Grade II listed Royal Astronomical Society adjacent to the Royal Academy in Piccadilly. Work continues on a £2.2 million contract to refurbish a Grade II Listed Victorian hall in Spitalfields to provide a shell and core for restaurant use. Adjacent to this, a further contract is worth £2.3 million which includes the design and construction of an apartment building over three floors and a restaurant at ground floor level.

A £2.3 million Brownfield development in London NW1 comprises a new three-storey building which will include a restaurant, café and apartments with a glass foyer at roof level. A £1.1 million contract is being undertaken for St Modwen Properties PLC which includes the demolition of the existing entrance hall and construction of a new two-storey entrance hall at Elstree Business Centre in Hertfordshire. A £3.6 million contract was completed for the London Borough of Hounslow involving stripping out, modifications and an extension to the existing building to form a new conference centre.

1. Stags End, Hertfordshire
2. Eurolink Business Park, Sittingbourne, Kent
3. Burlington House, Royal Astronomical Society

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PEL Interiors Limited

PEL Interiors has had a successful year and, following the incorporation of Crispinteriors from Crispin & Borst Limited, is now expanding its focus to include commercial office fit-out as well as retail fit-out. Its turnover was £39 million and it recorded a profit in its first year with the Group.

PEL continued to be awarded contracts by House of Fraser. These included a £10.2 million contract for the fit-out of a new store in Bristol. The Company also completed a £12.3 million contract for the same client in Belfast and a £1.1 million contract in London's Oxford Street to install a new external shop front.

PEL was awarded a contract for the complete fitting out of a new Dunhill store in Milan. The Company is currently undertaking the refurbishment of a boutique for Dunhill at Heathrow's Terminal 3 as well as contracts to replace fixtures and fittings at Dunhill stores in Belfast and Dublin. Redecorations were completed at the Dunhill store in London's Jermyn Street. Projects were also carried out for BP, Marks & Spencer, BAA, the Royal Society for Medicine, Thomas Cook, Gordon Ramsay and Virgin Atlantic.

Main Image: Marks & Spencer, Kew. Opposite: House of Fraser, Belfast


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HOUSE OF FRASER

Chief Executive's Report (continued)

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1. Aldi, Rugby
2. A2 Pepper Hill
3. Stratford City Rail Project
4. ProLogis, Avonmouth
5. Qamardeen Hotel, Dubai


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Weaver PLC

During the year, Midlands based construction group Weaver PLC, became a wholly owned subsidiary of Norwest Holst Limited. Since joining the Group in June, Weaver had a turnover of £21 million on which a small profit was recorded.

Since joining the Group, Weaver has been awarded several new contracts including a £6 million contract to build an office complex for Pettifer Estates at Abbey Park, Stoneleigh. A number of projects in the retail sector are under construction for supermarket group Aldi and for household product chain Wilkinson. Weaver also continued to work on a number of refurbishment and re-build projects for MOTO, the UK's largest provider of motorway service facilities.

John Jones (Excavation) Limited

Turnover increased in the year to £22 million on which a loss of £600,000 was incurred. The earthmoving market in the UK has been difficult over recent years due to the decline in major road construction. However, John Jones was successful in winning new contracts on the A2 Pepper Hill to Cobham route in Kent for Skanska and at Dobwalls on the A38 in Cornwall for Interserve. It completed work on two projects in Ireland for Gama on the Ennis Bypass and at Castleblayney.

Simplex Foundations Limited

Simplex undertook a wide range of foundation contracts throughout the UK using rotary, CFA and driven piling systems. It is working for the first time in joint operation with Soletanche Bachy on a project for Norwest Holst at Hendon. Soletanche Bachy joined VINCI SA in 2007. Company turnover increased to £21 million in the year and was profitable.

Norwest Holst Soil Engineering Division

Turnover increased to £22 million but a small loss was incurred due to problems on grouting contracts in Scotland. The Soil Investigation department was active throughout the UK market and a new office was opened in Bristol to support operations in Southwest England and South Wales. Major investigations included work on the Dublin Metro, Stratford City and the Olympic Park, for Thames Water and for the proposed Cross Rail link in London.

Norwest Holst Engineering Services Division

Turnover declined in the year to £16 million and a small loss was incurred due to a significant reduction in the volume of telecommunication business associated with the delayed investment in upgrading the BT network under the Century 21 programme. This required the business to be retrenched to reduce fixed costs.

Conren Limited

Conren increased turnover to £5.3 million and was profitable. Export sales grew strongly and a new five year agency agreement was entered into in Dubai with Al-Shirawi Contracting Co LLC to act as agent for Rooftex products in the UAE. One of its first successes under the new agreement was to supply Rooftex products to Qamardeen Hotel and for Burj Development, which features the World's tallest building at over 150 storeys.

VINCI Investments Limited

VINCI Investments had another very successful year and contributed £5 million to the Group's profits from the sale of an equity stake in a mature PFI scheme, together with proceeds from land sales. It signed a PFI contract with Doncaster Council for the design, construction, operation and maintenance of two new secondary schools at Edlington and Mexborough. It is actively engaged in bidding for further PFI projects, particularly focusing on the education sector where it has achieved considerable success in recent years.

Chief Executive's Report (continued)

Outlook

The past year has been a remarkably successful one for VINCI PLC.

The market has helped, in that construction demand has been growing strongly. More importantly though, has been the continuation of our tried and tested policy of controlled growth and selectivity, focusing our resources where they can produce the best result and concentrating on building repeat business through relationships based on performance. We have also benefited financially from certain one-off items as set out in the accounts.

The outlook for Norwest Holst Building Division in 2008 remains positive, with the probability of continued growth, partially through geographic expansion and also as a result of increasing contract size and market conditions, particularly in education. Whilst we expect conditions in the commercial sector to become more difficult, our exposure is limited. The opening of new offices in Wakefield and Reigate brings the branch network to eight and the acquisition of Fifehead adds the South Wales market to our coverage. This network will be strengthened further in the period ahead.

Civil Engineering has declined in recent years in the UK, but there are clear indications that this trend is coming to an end. The UK faces strategic challenges in many areas of basic infrastructure and there are issues to address in terms of renewable energy, waste and the consequences of climate change. In all these areas the VINCI Group is a world leader and the UK offers better prospects for future expansion of such activities than at any time in recent years.

The acquisition of Weaver and subsequently Stradform Midlands has expanded our presence in the smaller building project sector to the central area of England. Further acquisitions to strengthen and deepen this network are in train, with the acquisition of Gordon Durham & Co. Limited in the North East region of England.

Crispin & Borst continues to grow its presence in the building market in London and the South East. Crispin & Borst's Facilities Division was expanded in 2006 by the acquisition of TCL Granby. It will be further strengthened in 2008 by the transfer into it of Norwest Holst's Support Services Division and the management of Rosser & Russell Maintenance Limited. Whilst it is currently focused mainly on London and the South East, we will be seeking to expand it to the other large conurbations in the Midlands and North.

The outlook for our specialised subsidiaries will mirror that of the market overall as they work on what are largely short term contracts.

This Page: Mason Hall Student Accommodation, Birmingham University

The economic outlook going into 2008 is less positive than in recent years. The global problems in the credit markets coupled with higher input costs and deflation in asset prices will present challenges in the period ahead. The construction industry is inevitably exposed to trends in the wider economy and there is already evidence of a correction in the housing market and a down turn in private sector commercial work. We are not overly exposed to private sector commercial work and have no exposure whatever to private sector housing other than in site preparation in Scotland. Barring a severe recession or a significant cut back in public sector investment, the prospects for the year are reasonably good.

VINCI PLC is in a very strong position in terms of its balance sheet and cash resources. We enter the year with a slightly lower order book than this time last year, but the acquisition of Fifehead already corrects this and we have more anticipated work pending than at any time previously.

We are actively looking to further strengthen our market presence by organic means and by acquisition of small regional building contractors. We have the resources available to fulfil these ambitions when appropriate opportunities arise. Similarly, we intend to expand and develop, on a national basis, our maintenance and facility services operations and our interior fit-out operations.

However, this is essentially a business about people. People are our key resource and it is once again our people who have contributed most to the success of VINCI PLC. On behalf of the Board of Directors and all the stakeholders in the business, I wish to express our thanks to all the management, staff and workforce for their dedication, loyalty and commitment to VINCI.

Once again I have the privilege to close by reporting another record year for VINCI PLC in 2007 with the highest turnover, cash generation, cash balances and profit since joining the VINCI Group in 1991. Whilst we are unlikely to see the repeat in 2008 of the proceeds of any investment sales, the underlying performance of the operating businesses is likely to be sustained. I therefore expect 2008 to be another successful year for VINCI PLC.

J O M Stanion
Chairman and Chief Executive
VINCI PLC

11th March 2008

Corporate Social Responsibility

In this section of our annual report, a summary is provided of our approach to Corporate Social Responsibility (CSR). A more detailed and comprehensive account of our achievements in 2007 and our commitments for the future can be found in our 2007 Corporate Social Responsibility Report which can be downloaded from our website: (www.vinci.plc.uk/csr).

Fig.1 VINCI PLC CSR Strategy Model

Strategic Foresight

CSR Working Group

CSR Working Group formed within the organisation and tasked with the development and deployment of a robust CSR framework.

Engagement with Stakeholders

Stakeholder Focused Strategy

Based upon key stakeholder issues and requirements identified during the engagement process.

Planning and Commitments

Focus Areas

Our People
Health and Safety
The Environment
Civic Involvement
Customers and Suppliers
Corporate Governance

Management and Control

Policies, Procedures & Guidelines

Either established or reinforced to clearly identify authority and responsibility for all aspects of CSR.

Performance Monitoring

Key Performance Measures

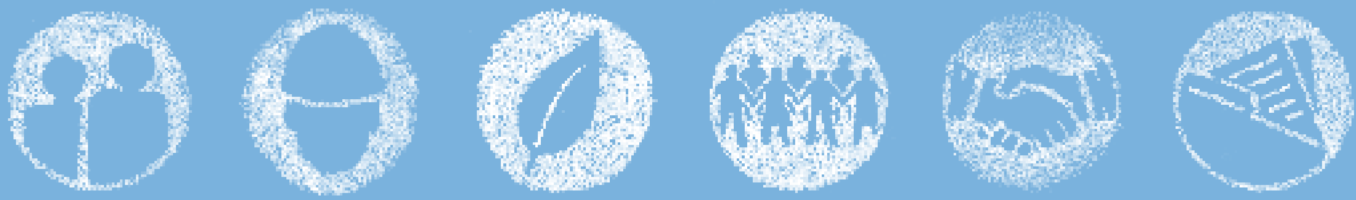
Established to monitor the effectiveness of CSR initiatives and the achievement of objectives.

Assessment and Review

Continual Improvement

Performance monitoring information reviewed and assessed to determine the capability of the CSR framework to deliver upon our commitments.

VINCI PLC



Our People | Health and Safety | The Environment | Civic Involvement | Customers and Suppliers | Corporate Governance

As a successful business, we recognise that we do not operate in isolation from the society of which we form part. In offering a diverse range of construction and associated services, VINCI PLC plays a vital role as an employer, contractor and business partner. In developing and improving the infrastructure and built environment we are committed to carrying out these activities in a responsible and sustainable manner. Corporate Social Responsibility is a natural consequence of the VINCI PLC approach which, to a large extent, accounts for the fact that the Company has already been in existence for nearly a century. This in itself is testament to the responsible and sustainable nature in which we run our business and the successful relationships we have nurtured with our stakeholders over the years.

The VINCI PLC Approach

We recognised in 2007 that although we have always undertaken our activities in a responsible and sustainable manner, greater benefits could be attained for all our stakeholders if we adopted a more structured and inclusive approach to CSR. This was achieved through a six stage iterative process (Fig.1), the first stage being the formation of a Working Group made up of representatives from within VINCI PLC. The Working Group is chaired by the Chief Executive Officer, with representatives being selected based upon their understanding of the needs and requirements of the key stakeholders of the organisation.

Planning and Commitments

Once established, the Working Group identified key stakeholder requirements and then prioritised and set objectives to address these in the context of the six key focus areas:

- Our People
- Health and Safety
- The Environment
- Civic Involvement
- Customers and Suppliers
- Corporate Governance

To do this, each member of the Working Group developed and deployed a series of programmes and initiatives. These were supplemented, where necessary, with policy, guidelines and control procedures which were either established or reinforced to clearly identify authority and responsibility for all aspects of CSR.

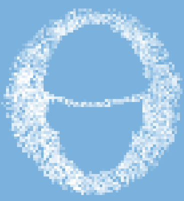
Performance Monitoring, Assessment and Review

CSR performance is monitored and measured through a balanced set of measures and Key Performance Indicators (KPIs). These measures and KPIs are used to verify the level of compliance with CSR policy, guidelines and control procedures and also determine the achievement of CSR objectives. The data and information generated by the measurements is summarised and reviewed during meetings of the CSR Working Group.

The review of this information and data focuses on determining the actions necessary to enable us to continually improve CSR performance throughout the Group. The reviews also help to determine the validity and soundness of the CSR measurements themselves and their continuing value to the organisation.

The outputs of this evaluation and review process become the inputs back into the planning process as part of the iterative process (Fig.1).

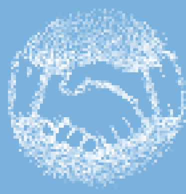
Our People



Health and Safety

The Environment

Civic Involvement



Customers and Suppliers

Corporate Governance

Achievements in 2007

We made great strides during 2007 in demonstrating our commitment to social and environmental responsibility through a considerable number of achievements in the following CSR focus areas:

CSR Focus Area	Achievement
Our People	The broader range of employee benefit and development opportunities available to our workforce has contributed towards an employee satisfaction index of 92%.
Health and Safety	Reportable accident incidence and frequency rates across VINCI PLC have, overall, continued to fall during the last five years.
The Environment	In our offices, factories and depots we use some 4.1 GWH of electricity each year. Approximately one half of our electricity consumption, 1.9 GWH, is now from renewable sources.
Civic Involvement	Strengthening our support of regional, national and international charitable causes led to a 74% increase in the amount contributed compared to the previous year.
Customers and Suppliers	Commitment to the development of effective and efficient management systems across VINCI PLC with 97% of the organisation subject to third-party quality assessment.
Corporate Governance	Adherence to strict financial, corporate governance and business risk controls ensured a continued improvement in financial performance.

Commitment for 2008

In the area of CSR, construction organisations are currently faced with a series of challenging issues, the importance and significance of which are only set to grow. The increasing likelihood of an economic slow down over the next year or two will require us to work even harder to balance our social and environmental responsibilities with the need to manage our sustained economic growth. In addition to these challenges, the industry is still faced with a shortage of skilled labour, supervisors and managers. To enable us to successfully rise to these environmental, social and economic challenges it is up to us all within VINCI PLC to work closely with all our stakeholders to manage and deliver upon their expectations through dedication and sustained commitment to excellence in all aspects of CSR.

Key Challenges for 2008

CSR Focus Area	Challenge
Our People	Comprehensive learning and development objectives established for 2008 to facilitate the development of staff and to achieve the overall aims and objectives of the business.
Health and Safety	Continue our drive within the organisation to reduce the number of accidents, by improving the reporting of near-misses and the deployment of a programme of behavioural change courses.
The Environment	Publish more comprehensive environmental reporting data covering the entire range of our activities.
Civic Involvement	Actively encourage more employees across VINCI PLC to become involved in charity and fund-raising events.
Customers and Suppliers	Work more closely with our customers to better understand their requirements and continue to develop relationships based on best value and partnering.
Corporate Governance	Continue to adhere to strict financial, corporate goverance and business risk controls throughout the organisation.

Enhanced Business Review

Business Risks

The continued success of our business depends upon our ability to identify and manage risks which are inherent in the type of activity we are engaged in. These risks fall into specific areas, all of which have the potential to impact on the success of the business both at subsidiary and divisional level and on the Group as a whole.

- Financial Risk

The principal financial risks that we run are associated with our ability to properly estimate the costs of carrying out the contracts in which we engage, the risk of properly incurring and controlling those costs, our ability to recover our costs under the payment terms of those contracts, the financial standing of our clients, sub-contractors and suppliers in terms of their ability to discharge their obligations to us.

The Group controls these risks in a number of ways. We are highly selective in the type of work that we tender for in terms of the project size, location, complexity, contract terms and duration. These criteria are examined for each of our business units and are specific to them to ensure that their capabilities are used to best effect. We do not chase turnover for turnover's sake, our guiding principle being cash and profit generation. We avoid high profile and long term fixed price contracts in both building and civil engineering, concentrating instead on middle market routine work. We specialise in certain types of building and civil engineering projects in line with the areas where we have proven expertise. Tenders are controlled in accordance with a tender control policy and are authorised by directors according to their value and type. Over a certain level of value, tenders are approved by the Chief Operating Officer and the Chief Executive. In accordance with VINCI SA procedures, tenders over set amounts are submitted to the VINCI Risk Committee in Paris for approval.

Contracts in progress are managed and controlled in accordance with Group accounting and commercial control procedures. Monthly accounts are prepared for all sites based upon a Cost Value Reconciliation system that is performed each month. There are rigorous procedures in place for monitoring performance and regular reviews of forecasts for revenue and cost to completion. Profit is taken in accordance with the Group's accounting procedures.

Financial and other checks are performed on suppliers and sub-contractors and the supply chain is largely made up of preferred parties.

We seek to become a preferred contractor with our clients based upon performance and seek to continuously improve upon it.

Investment is subject to strict control procedures and is submitted to VINCI SA for approval. This applies to acquisitions of companies, real estate and to PFI/PPP projects. We have determined to concentrate our activities in the PFI sector on smaller projects or bundles of projects in the fields of education, public buildings and health. All our current PFI contracts fall into the sector of education and police buildings with the exception of project MoDEL and our involvement in the VINCI led FLOW consortium for the M25.

The Group maintains insurance policies in respect of all known material areas of financial loss other than those described here. VINCI Insurance Services Limited manages all aspects of the Group's insurance policies and monitors and reports on claims. The Group insures certain risks through a captive insurance company, Haldan Indemnity Limited.

The other major financial risk to the Group is the pension fund. As explained in the CEO review and in the accounts we proactively seek to de-risk the final salary pension scheme through changes in rules and additional contributions in prior years such that the latest IAS 19 valuation shows a small surplus of assets over liabilities. In 2006, the current members of the scheme agreed to a new rule that limits future service salary increases for pension purposes to 3% per annum. The scheme was closed to new members in 2000 and an alternative defined contribution scheme was established in its place. The principal residual risks to the final salary scheme are investment performance and mortality rates. The pension fund situation is set out elsewhere in this report and accounts.

The Group's accounting policies are described elsewhere in this report.

- Health and Safety

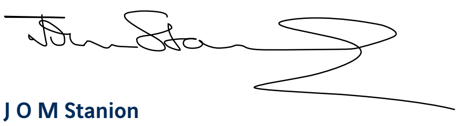
The Group recognises the importance of the health and safety of all those employed in our offices and sites and operates policies to ensure that the risks associated with accidents and health are properly managed and controlled. The Group's approach and performance are set out in the CSR report.

- The Environment

The Group recognises the importance of minimising our impact on the environment and is pro-actively managing this as set out in the CSR report.

- Human Resources

The people whom we employ are our most important resource. It is essential to the future success of the business that we retain a skilled and motivated workforce and continue to augment it through recruitment. This is set out in the CSR report.



J O M Stanion
Chief Executive

Directors' Report

The Directors submit their annual report to the members, together with the audited accounts for the year ended 31st December 2007.

Principal activities and business review

The principal activities of the Group during the year were building, civil, mechanical and electrical engineering. A full review of the Group's business and progress is set out within the Chief Executive's Report and to the Enhanced Business Review on pages 4 to 27.

Results and dividends

The profit for the financial year as shown in the Consolidated Income Statement on page 34 amounted to £33,637,000 (2006: £22,361,000). Dividends paid during the year comprise of an interim dividend of £1.108 per share amounting to £21,000,000 (2006: £19,000,000) in respect of the year ended 31st December 2007. The Directors do not propose the payment of a final dividend.

Directors

The present directors of the Company are set out on page 2.

Indemnity Provisions

No qualifying third party provision is in force for the benefit of any director of the Company.

Employees

The Group has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Should an employee become disabled while in the Company's employment they are guaranteed consideration for alternative positions within the Group which are within their capabilities. It is the Group's policy to offer training and development opportunities to all employees on the basis of the assessment of training needs.

Communication and involvement

The Directors recognise the importance of good communications with the Group's employees and informing and consulting with them on a regular basis on the performance and objectives of the Group. This is mainly through regular meetings, personal appraisals and e-mail communications.

When practical, employees have the opportunity to participate in VINCI share savings schemes.

Health and safety

Health and safety issues figure prominently at Board level to ensure, as far as possible, the prevention of health risks or accidents to employees, contractors, sub-contractors, members of the public or any other persons who may come into contact with the Group's activities. Health and safety consultative committees operate at all levels and an annual report is produced highlighting trends and statistics in this vital area. The Group is proud of, but not complacent about, its safety record.

Donations

Donations to various United Kingdom branches of national and international charities by the Group amounted to £52,774 during the year (2006: £30,382).

No political donations were made (2006: £nil).

Payment of creditors

Whilst the Group does not follow any external code or standard payment practice, the Group's policy with regard to the payment of suppliers is for each business to agree terms and conditions with its suppliers, ensure that suppliers are aware of those terms and providing the suppliers meet their obligations, abide by the agreed terms of payment. The trade creditor days for the Company for the year ended 31st December 2007 was nil (2006: nil) and for the Group was 49 (2006: 51).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

In accordance with section 384 of the Companies Act 1985 a resolution to re-appoint KPMG LLP will be proposed at the forthcoming Annual General Meeting.

Approval

The Report of the Directors was approved by the Board on 11th March 2008 and signed on its behalf by:

J O M Stanion
Director

VINCI PLC
Astral House
Imperial Way
Watford
Herts
WD24 4WW

Statement of Directors' Responsibilities

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Independent Auditors' Report to the Shareholders

We have audited the group and parent company financial statements (the ''financial statements'') of VINCI PLC for the year ended 31st December 2007 which comprise the Consolidated Income Statement, the Consolidated and parent company Balance Sheets, the Consolidated and parent company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 30.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31st December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31st December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditor
11th March 2008

Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

Accounts
for the year ended 31st December 2007

Consolidated Income Statement
for the year ended 31st December 2007

	Notes	2007 £000	2006 £000
Revenue	1	774,118	632,215
Cost of sales		(702,410)	(570,064)
Gross profit		71,708	62,151
Other operating income	2	3,586	11,581
Administrative expenses	3-4	(60,124)	(48,704)
Share of profit of associates using the equity accounting method-operating	12	4,799	-
Operating profit before net financing income	3	19,969	25,028
Financial income	6	20,990	17,502
Financial expenses	6	(11,855)	(10,804)
Net financing income		9,135	6,698
Share of profit of associates and jointly controlled entities using the equity accounting method	12	64	215
Profit on sale of investments	7	11,323	-
Profit before taxation		40,491	31,941
Taxation	8	(6,854)	(9,580)
Profit from continuing operations		30,690	20,817
Profit from discontinued operations net of tax	16	2,947	1,544
Profit for the year	21	33,637	22,361

A Statement of Total Recognised Income and Expense has not been prepared as the Company has no recognised income or expense other than those reported above.

Consolidated Balance Sheet
at 31st December 2007

	Notes	2007 £000	2006 £000
Non-current assets			
Property, plant and equipment	11	16,965	17,391
Intangible assets	10	10,322	6,167
Investments in jointly controlled entities	12	4,855	29
Investments accounted for using the equity method	12	2,351	2,096
Deferred tax asset	19	2,202	4,581
		36,695	30,264
Current assets			
Inventories	13	3,070	2,945
Trade and other receivables	14	171,833	141,515
Cash and cash equivalents	15	181,989	141,116
Assets classified as held for sale	16	-	287
Employee benefits	20	625	-
		357,517	285,863
Total Assets		394,212	316,127
Current liabilities			
Bank overdraft	15	29,463	29,245
Other interest bearing loans and borrowings	18	314	269
Trade and other payables	17	281,663	217,217
Tax payable		13,206	9,334
		324,646	256,065
Non-current liabilities			
Other interest bearing loans and borrowings	18	438	696
Employee benefits	20	-	4,154
		438	4,850
Total liabilities		325,084	260,915
Net Assets		69,128	55,212
Equity attributable to equity holders of the parent			
Issued share capital	21	18,956	18,956
Capital redemption reserve	21	300	300
Other reserve	21	-	977
Retained earnings	21	49,872	34,979
Total equity		69,128	55,212

The financial statements were approved by the Board on 11th March 2008 and signed on its behalf by:

A M Comba (Director)

Company Balance Sheet

at 31st December 2007

	Notes	2007 £000	2006 £000
Non-current assets			
Property, plant and equipment	11	5,171	4,097
Investments in Group undertakings	12	34,938	41,939
Deferred tax asset	19	2,342	4,513
		42,451	50,549
Current assets			
Tax receivable		600	609
Trade and other receivables	14	4,571	4,543
Cash and cash equivalents	15	39,892	22,445
Employee benefits	20	625	-
		45,688	27,597
Total assets		88,139	78,146
Current liabilities			
Other interest bearing loans and borrowings	18	177	177
Trade and other payables	17	28,857	24,220
Tax payable		4,460	3,169
		33,494	27,566
Non-current liabilities			
Other interest bearing loans and borrowings	18	140	324
Employee benefits	20	-	4,154
Provisions		3,677	3,677
		3,817	8,155
Total liabilities		37,311	35,721
Net assets		50,828	42,425
Equity attributable to equity holders of the Parent			
Issued share capital	21	18,956	18,956
Capital redemption reserve	21	300	300
Other reserve	21	10,657	11,243
Retained earnings	21	20,915	11,926
Total equity		50,828	42,425

The financial statements were approved by the Board on 11th March 2008 and signed on its behalf by:

A M Comba (Director)

Cash Flow Statements

for the year ended 31st December 2007

	Notes	Group 2007 £000	2006 £000	Company 2007 £000	2006 £000
Cash flows from operating activities					
Profit for the year		33,637	22,361	28,705	13,940
Adjustments for:					
Depreciation, amortisation and impairment		4,816	4,580	7,748	1,662
Financial income		(20,990)	(17,502)	(38,947)	(28,026)
Financial expense		11,855	10,804	9,983	9,033
Negative goodwill on acquisition of subsidiaries		-	(5,506)	-	-
Share of profits in jointly controlled entities and associates		(4,863)	(215)	-	-
Gain on sale of property, plant and equipment		(2,991)	(6,234)	(11)	(28)
Gain on sale of investments		(11,323)	-	(11,434)	-
Equity settled share-based payment expenses		1,532	580	950	306
Taxation		6,854	9,580	694	5,596
Operating cash flows before movements in working capital and provisions		18,527	18,448	(2,312)	2,483
(Increase)/decrease in trade and other receivables		(32,461)	(7,819)	(308)	3,268
(Increase)/decrease in stock		(106)	(232)	-	-
Increase/(decrease) in trade and other payables		64,910	(2,359)	3,420	(7,143)
Decrease in provisions and employee benefits		(2,836)	(16,499)	(2,836)	(16,499)
Cash generated from operations		48,034	(8,461)	(2,036)	(17,891)
Interest paid		(2,104)	(1,771)	(232)	(259)
Tax (paid)/received		(1,908)	(3,475)	2,254	1,748
Net cash from operating activities		44,022	(13,707)	(14)	(16,402)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		6,584	15,350	127	135
Proceeds from sale of investment		-	-	14,430	-
Interest received		9,296	6,684	2,917	2,123
Dividends received		-	-	24,336	15,344
Disposal of subsidiary, net of cash disposed of		11,150	-	-	-
Disposal of division		222	-	-	-
Disposal of jointly controlled entity		1,167	-	-	-
Acquisition of property, plant and equipment		(5,409)	(5,621)	(3,165)	(2,946)
Subordinated loan to associate entities		(306)	(686)	-	-
Acquisition of subsidiary net of cash acquired	9	(4,909)	(2,851)	-	-
Repayment of loan by jointly controlled entity		88	102	-	-
Net cash from investing activities		17,883	12,978	38,645	14,656

Cash Flow Statements

for the year ended 31st December 2007 (continued)

	Notes	Group 2007 £000	2006 £000	Company 2007 £000	2006 £000
Cash flows from financing activities					
Decrease in finance lease obligations	18	(250)	(641)	(184)	(485)
Dividends paid	21	(21,000)	(19,000)	(21,000)	(19,000)
Net cash from financing activities		(21,250)	(19,641)	(21,184)	(19,485)
Net increase/(decrease) in cash and cash equivalents		40,655	(20,370)	17,447	(21,231)
Cash and cash equivalents at 1st January		111,871	132,241	22,445	43,676
Cash and cash equivalents at 31st December	15	152,526	111,871	39,892	22,445

Accounting Policies

VINCI PLC ("the Company") is incorporated in the UK.

Statement of compliance

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's jointly controlled entities and interest in associates. The parent company financial statements present information about the Company as a separate entity and not about its group.

Basis of preparation

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). In publishing the parent company financial statements here together with the group financial statements, the Company has taken advantage of the exemption in section 230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

At the date of issue of these financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRIC12 - Service concession arrangements.
IFRIC14 - The limit on a defined benefit asset, minimum funding requirements and their interaction.

The Group has considered the impact of these new standards and interpretations in future periods and no significant impact is expected.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

Current assets held for sale and discontinued operations

A current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement.

Long term contracts

Long term contracts are those extending in excess of 12 months and of any shorter duration which are material to the activity of the period.

Construction contract receivables
Amounts recoverable on contracts are included in receivables and are valued, inclusive of profit, at work executed at contract prices plus variations less payments on account. Profit on long term contracts is recognised once the outcome can be assessed with reasonable certainty. The margin on each contract is the lower of the margin earned to date and forecast at completion. Full provision is made for anticipated future losses and such losses are included in creditors. Where contract payments received exceed amounts recoverable these amounts are included in creditors.

Amounts recoverable normally include claims only when there is a firm agreement with the client, but when assessing anticipated losses on major contracts a prudent and reasonable estimate of claims is taken into account.

Trade and other receivables
Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Inventories
Inventories and work in progress are stated at the lower of cost and estimated net realisable value.

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Impairment
The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount
The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

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

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

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

All actuarial gains and losses as at 1st January 2004, the date of transition to Adopted IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1st January 2004 in calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

In accordance with Group policy, subsidiary undertakings continue to record the actual contributions that they make in the year.

Share-based payment transactions
The share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Accounting Policies (continued)

Investments in debt and equity securities

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment. Financial instruments held for trading or designated upon initial recognition or at the IAS 39 transition date if later are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments in debt and equity securities held by the Group are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Intangible assets – goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and Jointly Controlled Entities. In respect of business acquisitions that have occurred since January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

In respect of acquisitions prior to January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Jointly controlled entities and associates

The Group's share of joint ventures and associates is included on one line except for its share in VSM Estates Limited. Due to the nature of the profit, the Group's share of the VSM Estates Limited results has been included within operating profit in the consolidated income statement. In the consolidated balance sheet the interests in joint ventures and associates are included as the Group's share of the net assets of joint ventures and associates plus goodwill on acquisition less related amortisation and impairment write-downs.

Jointly controlled operations

Where a Group company is party to a jointly controlled operation, that company proportionately accounts directly for its share of the income and expenditure, assets, liabilities and cash flows on a line by line basis. Such arrangements are reported in the consolidated financial statements on the same basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Certain land and buildings are carried at values that reflect previous revaluations prior to 1st January 2004, the date of transition to adopted IFRSs. These are measured on the basis of deemed cost, being the revalued amount on the date of that revaluation. The valuation has not been updated since 31st March 1989.

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses. No depreciation is provided on freehold land. The principal anticipated useful lives on a straight line basis are:

Freehold buildings	- twenty five years
Leasehold buildings	- the shorter of twenty five years or remaining life of lease
Plant and machinery	- from two to fifteen years
Motor vehicles	- from three to five years
Computer systems and fixtures and fittings	- from three to ten years

Property, plant and equipment (continued)

Where assets are financed by leasing agreements which give risk and rewards approximating to ownership ('finance lease') the assets are included in the balance sheet at cost less depreciation in accordance with the normal accounting policy. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income statement over the period of the lease in proportion to the balance of capital repayments outstanding.

All other leases are regarded as operating leases and the total payments made under them are charged to the income statement on a straight line basis over the period of the lease.

Pre-contract costs

Pre-contract costs are expensed as incurred until the Group is appointed preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is probable, pre-contract costs incurred post the appointment as preferred bidder are included in inventories. Where pre-contract bid costs are reimbursed at financial close, the proceeds are initially applied against the asset included in inventories. Any excess recoveries are carried forward as deferred income and released to the income statement over the period of the contract to which the pre-contract costs relate.

Revenue

Revenue is the total amount receivable by the Group in the ordinary course of business with outside customers for goods supplied and services provided excluding VAT and trade discounts. On long term contracts the estimated sales value of work performed in the year is included.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable, financial elements of pensions, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

The associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

Notes to the Accounts
at 31st December 2007

1. Segmental reporting

The activities of the Group were all within the construction, civil, mechanical and electrical engineering industries and are regarded by the Directors as a single class of business. No significant part of the business is outside the United Kingdom.

2. Other Operating Income

	2007 £000	2006 £000
Net gain on disposal of property, plant and equipment	2,791	6,075
Negative goodwill on acquisitions	-	5,506
Net gain on disposal of inventories	795	-
	3,586	11,581

3. Expenses

Group

Included in the profit are the following:

		2007 £000	2006 £000
Operating leases	- plant and machinery	23,122	18,847
Operating leases	- other	3,326	2,429
Impairment loss/amortisation of goodwill		303	205
Depreciation of tangible assets		4,513	4,375
Decrease in provisions		(234)	(660)
Profit on disposal of property, plant and equipment		(200)	(159)
Pension curtailment		-	(3,250)
Auditors' remuneration	- audit of these financial statements	212	162
Non audit fees	- services relating to information technology	85	-

4. Employees

Group

(i) Staff costs during the year amounted to:

		2007 £000	2006 £000
Wages and salaries		106,529	97,138
Social security costs		9,746	9,504
Pension (costs)/credit	– defined contribution scheme	1,804	1,465
	– defined benefit scheme	1,588	(2,182)
Share based payments (see note 20)		1,532	580
		121,199	106,505

The average number of employees during the year was as follows:

	2007 No.	2006 No.
Management	81	72
Supervision	695	676
Administration	561	547
Operations	1,548	1,507
	2,885	2,802

Notes to the Accounts
at 31st December 2007 (continued)

4. Employees (continued)

Company

(ii) Staff costs during the year amounted to:

		2007 £000	2006 £000
Wages and salaries		6,935	5,887
Social Security costs		448	408
Pension costs	- defined contribution scheme	121	90
	- defined benefit scheme	889	608
Share based payments (see note 20)		950	306
		9,343	7,299

The average number of employees during the year was as follows:

	2007 No.	2006 No.
Management	16	16
Supervision	28	25
Administration	94	82
Operations	7	6
	145	129

5. Directors' remuneration

	2007 £000	2006 £000
Emoluments	1,382	1,138
Pension costs	406	553
	1,788	1,691

Two of the directors (2006: 3) are accruing benefits under the Group defined benefit plans and three (2006: 3) under the defined contribution plan. Directors' emoluments disclosed above include the following:

	2007 £000	2006 £000
Highest paid Director	417	366

The money purchase pension scheme costs relating to the highest paid director were £127,473 (2006: £134,680). The annual pension accruing to the highest paid director under the Group defined benefit scheme is £19,264 (2006: £15,840).

6. Finance income and expense

		2007		2006
	£000	£000	£000	£000
Group				
Other financial income and similar income				
Return on pension assets	11,694		10,818	
Bank interest	9,296		6,684	
Financial income		20,990		17,502
Financial expenses and similar charges				
Interest on pension obligation		(9,751)		(9,033)
Bank loans and overdrafts		(2,058)		(1,715)
Finance leases		(46)		(56)
Financial expenses		(11,855)		(10,804)
Net financial income		9,135		6,698

7. Profit on disposal of investments

The profit on disposal of investments of £11,323,000 (2006: £nil) represents the profit on disposal of the following:

		£000
(i)	100% of the issued share capital of McGill Services Limited	10,221
(ii)	The Group's interest (50%) in Total School Solutions (Sandwell) Holdings Limited	880
(iii)	The business and assets of the building services division of Rosser & Russell Maintenance Limited	222
		11,323

8. Taxation

Recognised in income statement:

		2007 £000	2006 £000
UK corporation tax at 30%	- current year	6,485	4,877
	- prior year	(1,225)	(840)
Current taxation		5,260	4,037
Deferred taxation		1,594	5,543
Total tax in income statement		6,854	9,580

Reconciliation of effective tax rate

	2007 £000	2006 £000
Profit on ordinary activities before taxation	40,491	31,941
Theoretical tax at UK corporation tax rates 30% (2006: 30%)	12,147	9,582
Effects of		
Reduction in opening deferred tax on change of rate	148	-
Release of deferred tax; IBA legislation change	17	-
Expenditure not tax deductible	1,291	1,194
Adjustment for tax rate differences	(56)	-
Movements on deferred tax not provided	-	(1)
Movement in respect of deferred tax in prior periods	(68)	190
Adjustments in respect of prior periods	(1,225)	(840)
Adjustments in respect of capital items	-	198
Difference in transfer of asset values	-	(3)
Group relief	(875)	(440)
Income not chargeable to corporation tax	(3,066)	(300)
Tax already accounted for in joint ventures	(1,459)	-
Actual total taxation charge	6,854	9,580

On 21st March 2007, the Chancellor announced that from 1st April 2008 the standard rate of UK corporation tax will reduce from 30% to 28%.

9. Acquisitions of subsidiaries

On 27th June 2007, the Group acquired Weaver PLC and its subsidiaries for £6,250,000 satisfied in cash. The company's principal activity is that of construction. In the 6 months to 31st December 2007 the subsidiary contributed net profit of £262,000 to the consolidated net profit for the year. If the acquisition had occurred on 1st January 2007, Group revenue would have been increased by £41,318,000 and net profit would have been increased by £524,000.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Fair value adjustments £000	Acquisition amounts £000
Acquiree's net assets at the acquisition date:			
Tangible assets	1,851	423	2,274
Intangible assets	-	2,001	2,001
Inventories	49	(30)	19
Trade and other receivables	7,379	-	7,379
Cash and cash equivalents	1,448	-	1,448
Trade and other payables	(9,045)	(176)	(9,221)
Net identifiable assets and liabilities	1,682	2,218	3,900
Goodwill on acquisition			2,457
Consideration paid (including legal fees of £107,000) satisfied in cash			6,357
Cash acquired			(1,448)
Net cash outflow			(4,909)

The intangible asset recognised on acquisition is attributable to the customer list (£585,000) and the brand name (£1,416,000) acquired.

10. Intangible assets

Group

	Goodwill	Brand name	Customer list	Total
Cost	£000	£000	£000	£000
At 1st January 2006	5,508	-	-	5,508
Acquisitions - externally purchased	-	2,448	1,382	3,830
Balance at 31st December 2006	5,508	2,448	1,382	9,338
Cost				
At 1st January 2007	5,508	2,448	1,382	9,338
Acquisitions - externally purchased	2,457	1,416	585	4,458
Balance at 31st December 2007	7,965	3,864	1,967	13,796
Impairment losses and amortisation				
At 1st January 2006	2,966	-	-	2,966
Amortisation for the year	55	-	150	205
Balance at 31st December 2006	3,021	-	150	3,171
Impairment losses and amortisation				
At 1st January 2007	3,021	-	150	3,171
Amortisation for the year	23	-	280	303
Balance at 31st December 2007	3,044	-	430	3,474
Net book value				
At 31st December 2006	2,487	2,448	1,232	6,167
At 31st December 2007	4,921	3,864	1,537	10,322

With the exception of goodwill relating to the facilities management joint venture acquired in 2002, all goodwill was amortised over 20 years. Following the adoption of IFRSs, goodwill is no longer amortised over 20 years but tested annually for impairment. The goodwill relating to the facilities management joint venture is being amortised over the remaining life of the contract of 58 months from acquisition.

10. Intangible assets (continued)

The acquisition represents the fair value associated with the intangible assets of Weaver PLC during the year. The customer list is to be amortised over 5 years. The brand names are considered to have an indefinite useful life and will be tested annually for impairment.

2006 Acquisitions

The customer list for TCL Granby is to be amortised over 7 years and over 5 years for the PEL Group. The brand names are considered to have an indefinite useful life and will be tested for impairment annually.

The amortisation and impairment charge is recognised in the following line items in the income statement:

	2007 £000	2006 £000
Administrative expenses	303	205

Impairment loss

2006 and 2007

Following the annual impairment test, no goodwill was written off in relation to the Company's investments.

Goodwill in respect of acquisitions made prior to January 1998 is not treated as an intangible asset and was eliminated at the time of acquisition against Group reserves. The cumulative amount of such goodwill was:

	2007 £000	2006 £000
Positive goodwill eliminated against reserves	1,400	1,400
Negative goodwill added to reserves	(3,227)	(3,227)
	(1,827)	(1,827)

11. Property, plant and equipment

Group	Land and buildings	Plant and machinery	Motor vehicles	Computer systems, fixtures and fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation:					
At 1st January 2006	15,557	20,046	3,233	8,298	47,134
Additions	590	2,447	1,143	2,419	6,599
Disposals	(9,975)	(714)	(690)	(637)	(12,016)
At 31st December 2006	6,172	21,779	3,686	10,080	41,717
Cost or valuation:					
At 1st January 2007	6,172	21,779	3,686	10,080	41,717
Additions	-	2,214	351	2,844	5,409
Disposals	(60)	(7,672)	(904)	(1,456)	(10,092)
Reclassification	(80)	-	-	80	-
Acquisitions	2,000	765	188	-	2,953
At 31st December 2007	8,032	17,086	3,321	11,548	39,987
Depreciation:					
At 1st January 2006	3,643	12,352	1,698	5,158	22,851
Charged	384	1,732	663	1,596	4,375
Disposals	(1,334)	(504)	(469)	(593)	(2,900)
At 31st December 2006	2,693	13,580	1,892	6,161	24,326
At 1st January 2007	2,693	13,580	1,892	6,161	24,326
Charged	234	1,836	634	1,809	4,513
Disposals	(60)	(4,384)	(647)	(1,405)	(6,496)
Reclassification	(80)	-	-	80	-
Acquisitions	-	566	113	-	679
At 31st December 2007	2,787	11,598	1,992	6,645	23,022

11. Property, plant and equipment (continued)

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Computers systems, fixtures and fittings £000	Total £000
Net book value:					
At 31st December 2006	3,479	8,199	1,794	3,919	17,391
At 31st December 2007	5,245	5,488	1,329	4,903	16,965

The fixed assets owned by the Group include the following amounts in respect of assets held under finance lease and hire purchase contracts:

	2007 £000	2006 £000
Net book value:		
Motor vehicles	1,538	1,792
Depreciation provided in year:		
Motor vehicles	254	364

11. Property, plant and equipment (continued)

Company	Freehold properties £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost:					
At 1st January 2006	53	559	2,733	2,616	5,961
Additions	-	182	2,142	354	2,678
Disposals	-	-	(634)	(391)	(1,025)
Transfers in/(out)	-	(38)	1,687	-	1,649
At 31st December 2006	53	703	5,928	2,579	9,263
At 1st January 2007	53	703	5,928	2,579	9,263
Additions	-	345	2,816	4	3,165
Disposals	(53)	-	(118)	(590)	(761)
At 31st December 2007	-	1,048	8,626	1,993	11,667
Depreciation:					
As at 1st January 2006	53	304	1,613	1,429	3,399
Charged	-	97	1,123	442	1,662
Disposals	-	-	(590)	(328)	(918)
Transfers	-	(16)	1,039	-	1,023
At 31st December 2006	53	385	3,185	1,543	5,166
At 1st January 2007	53	385	3,185	1,543	5,166
Charged	-	138	1,443	394	1,975
Disposals	(53)	-	(74)	(518)	(645)
As at 31st December 2007	-	523	4,554	1,419	6,496
Net book value:					
At 31st December 2006	-	318	2,743	1,036	4,097
At 31st December 2007	-	525	4,072	574	5,171

The fixed assets owned by the Company include the following amounts in respect of assets held under financial lease and hire purchase contracts:

	2007 £000	2006 £000
Net book value:		
Motor vehicles	1,231	1,362
Depreciation provided in the year	131	267

12. Investments

Group

The Group owns 50% of the issued share capital of V.B. Limited. The other 50% is owned by Leonardo Investment Holdings Limited. In the Group, this has been accounted for using the equity accounting method.

The Group owns 50% of the issued share capital of V.B. Investments (No.2) Limited. The other 50% is owned by Leonardo Investment Holdings Limited. V.B. Investments (No.2) Limited is currently an investment holding company and wholly owns Doncaster School Solutions (Holdings) Limited. Doncaster School Solutions Limited is a wholly owned subsidiary of Doncaster School Solutions (Holdings) Limited. All of these companies were incorporated on 28th November 2006 and did not trade during 2006 or 2007.

The Group owns 50% of the ordinary shares of VSM Estates Limited but the Group is only entitled to 25% of the company's profits. The other 50% is owned by St. Modwen Properties PLC. Due to this profit sharing arrangement, VSM Estates Limited has been accounted for as a 25% equity investment. The Group's share of the results from VSM Estates Limited of £4,799,000 (2006: £Nil) have been included on a separate line within operating profit.

The Group owns 50% of the ordinary shares of VINCI Environment UK Limited. This company was incorporated during 2007 and is currently non-trading.

12. Investments (continued)

Movements in the investments in the jointly controlled entities are as follows:

	Shares in jointly controlled entities £000	Loans to jointly controlled entities £000	Post-acquisition reserves £000	Total £000
Share of net assets				
At 1st January 2006	5	918	(86)	837
Repayments	-	(102)	-	(102)
Transferred to assets held for sale	(5)	(816)	(100)	(921)
Profits for the year	-	-	215	215
At 31st December 2006	-	-	29	29
At 1st January 2007	-	-	29	29
Profits for the year	-	-	4,826	4,826
At 31st December 2007	-	-	4,855	4,855

Summary financial information on jointly controlled entities – 100 per cent:

	Non-current assets £000	Current assets £000	Current liabilities £000	Non-current liabilities £000	Income £000	Expenses £000
2007						
V.B. Limited	-	246	(134)	-	416	(363)
V.B. Investments (No.2) Limited	1	4	-	-	-	-
VSM Estates Limited	-	100,338	(36,454)	(44,692)	28,937	(9,745)
2006						
Total School Solutions (Sandwell) Limited	15,009	2,037	(2,896)	13,936	1,035	(715)
V.B. Limited	-	220	(161)	-	300	(191)
V.B. Investments (No.2) Limited	-	-	-	-	-	-
VSM Estates Limited	-	27,673	(4,192)	(23,481)	-	-

The above companies except VSM Estates Limited are involved in the provision of Private Finance Initiatives (PFI). VSM Estates Limited is involved in the development and sale of real estate.

12. Investments (continued)

Under its PFI joint ventures the Group has commitments of £15.7m (2006: £Nil) that have been contracted but not provided for in the accounts.

VINCI (Holdings) Limited owns 20% of the ordinary share capital of V.B. Investments Limited, an investment company. The subsidiary undertakings of V.B. Investments Limited are as follows:

Subsidiary	Holding	Date acquired
WPA Support Services (Holdings) Limited	100% ordinary shares	19th December 2003
Derby School Solutions (Holdings) Limited	100% ordinary shares	23rd December 2004
H&D Support Services (Holdings) Limited	100% ordinary shares	2nd July 2004
DPASS (Holdings) Limited	100% ordinary shares	23rd December 2005

The Group's share of post-acquisition total recognised profit or loss in the above associates was £38,000 (2006: £nil).

Summary financial information on associates – 100 per cent:

	Assets	Liabilities	Equity	Revenues	Profit / (loss)
	£000	£000	£000	£000	£000
2007					
V.B. Investments Limited	10,504	(10,454)	50	-	-
WPA Support Services (Holdings) Limited	1	-	1	-	-
H&D Support Services (Holdings) Limited	1	-	1	-	-
Derby School Solutions (Holdings) Limited	1	-	1	-	-
DPASS (Holdings) Limited	50	-	50	-	-
2006					
V.B. Investments Limited	10,536	(10,486)	50	-	2
WPA Support Services (Holdings) Limited	1	-	1	-	-
H&D Support Services (Holdings) Limited	1	-	1	-	-
Derby School Solutions (Holdings) Limited	1	-	1	-	-
DPASS (Holdings) Limited	50	1	50	-	-

Movement in investments in the associated undertakings are as follows:

	Investments in associated undertakings	Loans to associated undertakings	Total
	£000	£000	£000
At 1st January 2006	10	1,400	1,410
Additions	-	696	696
Reduction in carrying value	(10)	-	(10)
At 31st December 2006	-	2,096	2,096
At 1st January 2007	-	2,096	2,096
Additions	-	306	306
Repayments	-	(88)	(88)
Share of profits in the year	37	-	37
Reduction in carrying value	-	-	-
At 31st December 2007	37	2,314	2,351

Under its associated undertakings, the Group's share of capital commitments is £344,000 (2006: £Nil) that have been contracted for but not provided for in the accounts.

12. Investments (continued)

Company

This comprises shares in Group undertakings:

	Total
Cost:	£000
At 1st January 2006	112,678
Transfers in	100
At 31st December 2006	112,778
At 1st January 2007	112,778
Increase in the year	60
Disposals	(4,313)
Transfers in	1,708
At 31st December 2007	110,233
Provisions for impairment:	
At 1st January 2006	70,839
Increase in the year	-
At 31st December 2006	70,839
At 1st January 2007	70,839
Increase in the year	5,773
Disposals	(1,317)
At 31st December 2007	75,295
Net book value:	
At 31st December 2006	41,939
At 31st December 2007	34,938

During 2006 the Company transferred its investment in Haldan Indemnity Limited from its subsidiary, Norwest Holst International Limited.

During 2007:

(i) The Company sold its investment in McGill Services Limited and transferred its investment in Holst Facilities Management Limited from McGill Services Limited prior to the disposal.

(ii) VINCI Insurance Services Limited, a direct subsidiary, increased its share capital by £10,000.

(iii) The Company purchased 50% of the issued share capital (£50,000) of VINCI Environment UK Limited. This company is currently non-trading.

Details of the principal subsidiary undertakings appear on page 76.

13. Inventories

Group	2007 £000	2006 £000
Development land	-	205
Raw materials and consumables	2,527	2,246
Items for resale	543	494
	3,070	2,945

Inventory to the value of £64m was recognised as expenses in the year (2006: £57m).
The development land was sold during the year. The profit from the sale of the land is included within other operating income.

14. Trade and other receivables

Group	2007 £000	2006 £000
Trade receivables	100,358	71,486
Amounts recoverable on contracts	62,140	58,085
Due from parent and fellow subsidiary undertakings	2,053	4,250
Other receivables	3,267	2,399
Prepayments and accrued income	4,015	5,295
	171,833	141,515

Company	2007 £000	2006 £000
Trade receivables	312	229
Due from parent and fellow subsidiary undertakings	1,641	2,198
Other receivables	1,455	1,255
Prepayments and accrued income	1,163	861
	4,571	4,543

At 31st December 2007, trade receivables for the Group include retentions of £30,865,000 (2006: £24,687,000) relating to construction contracts.

Included within trade and other receivables is £5,228,000 (2006: £3,685,000) for the Group and £Nil (2006: £Nil) for the Company expected to be recovered in more than 12 months.

15. Cash and cash equivalent/bank overdrafts

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Cash and cash equivalents per balance sheet	181,989	141,116	39,892	22,445
Bank overdrafts	(29,463)	(29,245)	-	-
Cash and cash equivalents per cash flow statements	152,526	111,871	39,892	22,445

16. Assets classified as held for sale and discontinued operation

The investment in Total School Solutions (Sandwell) Holdings Limited was presented as held for sale at 31st December 2006 following the decision of the Group's management on 23rd December 2006 to sell its 50% interest. The investment in Total School Solutions (Sandwell) Holdings Limited was sold during 2007.

	Group 2007 £000	2006 £000	Company 2007 £000	2006 £000
Assets classified as held for sale:				
Cash	-	775	-	-
Trade and other receivables	-	7,748	-	-
Liabilities classified within assets held for sale				
Bank loans	-	(7,183)	-	-
Trade and other payables	-	(419)	-	-
Net transfers from movements in investments	-	921	-	-
Other financial liabilities	-	(634)	-	-
Net assets held for sale	-	287	-	-

Discontinued operation –

On 21st December 2007, the Group sold McGill Services Limited for £15,227,000 cash and a pre-tax gain of £10,221,000 was recorded. The Group is to claim a Substantial Shareholder Exemption (Sch 7AC TCGA 1992), and hence attributable tax will be £Nil, leaving a gain after tax of £10,221,000. During the year ended 31st December 2007, McGill Services Limited had cash outflows from operating activities of £587,000 (2006: inflows of £5,094,000), cash inflows from investing activities of £389,000 (2006: £449,000) and cash outflows from financing activities of £4,139,000 (2006: £Nil).

Results of the discontinued operation -

	2007 £000	2006 £000
Revenue	24,192	16,456
Expenses	(21,227)	(14,950)
Profit before tax	2,965	1,506
Tax (charge)/credit on profit from ordinary activities	(18)	38
Profit for the year	2,947	1,544

Effect of the disposal on individual assets and liabilities of the Group

	2007 £000
Property, plant and equipment	(3)
Trade and other receivables	(8,806)
Cash and cash equivalents	(3,280)
Trade and other payables	7,880
Net identifiable (assets) and liabilities	(4,209)
Consideration received, satisfied in cash	(15,227)
Costs of disposal	797
Cash disposed of	3,280
Net cash (inflow)	(11,150)

17. Trade and other payables (current liabilities)

Group	2007 £000	2006 £000
Trade payables	42,317	48,321
Due to parent and fellow subsidiary undertakings	4,406	439
Other payables	7,781	3,969
Accruals	152,511	121,901
Payments on account	74,648	42,587
	281,663	217,217

Company	2007 £000	2006 £000
Trade payables	996	670
Due to parent and fellow subsidiary undertakings	12,176	11,019
Other payables	4,362	1,587
Accruals	11,323	10,944
	28,857	24,220

Trade payables at 31st December 2007 for the Group include retentions on construction contracts of £22,114,000 (2006: £17,653,000).

Included within trade and other payables is £2,965,000 (2006: £6,141,000) for the Group and £Nil (2006: £Nil) for the company expected to be payable in more than 12 months.

18. Other interest bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 22.

	Group 2007 £000	2006 £000	Company 2007 £000	2006 £000
Non-current liabilities				
Finance lease liabilities	438	696	140	324
Current liabilities				
Current portion of finance lease liabilities	314	269	177	177

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2007 £000	Interest 2007 £000	Principal 2007 £000	Minimum lease payments 2006 £000	Interest 2006 £000	Principal 2006 £000
Less than one year	341	27	314	309	40	269
Between one and five years	457	19	438	712	16	696
	798	46	752	1,021	56	965

Other interest bearing loans and borrowings consist of bank loans and obligations under finance leases.

Company

	Minimum lease payments 2007 £000	Interest 2007 £000	Principal 2007 £000	Minimum lease payments 2006 £000	Interest 2006 £000	Principal 2006 £000
Less than one year	187	10	177	201	24	177
Between one and five years	148	8	140	331	7	324
	335	18	317	532	31	501

Notes to the Accounts
at 31st December 2007 (continued)

19. Deferred tax assets and liabilities – Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2007 £000	2006 £000	Liabilities 2007 £000	2006 £000	Net 2007 £000	2006 £000
Property, plant and equipment	-	-	678	561	678	561
Employee benefits	-	(1,246)	188	-	188	(1,246)
Other temporary differences	(1,928)	(2,480)	-	-	(1,928)	(2,480)
Share options	(1,140)	(1,416)	-	-	(1,140)	(1,416)
Tax (assets) / liabilities	(3,068)	(5,142)	866	561	(2,202)	(4,581)

On 21st March 2007, the Chancellor announced that with effect from 1st April 2008 the standard rate for UK corporation tax will reduce from 30% to 28%. Therefore, the deferred tax assets and liabilities for both the Group and Company have been calculated at 28%.

The group also has tax losses of £843,000 as at 31st December 2007 (2006: £843,000) which have not been recognised as these may only be set against certain profits arising in specific subsidiaries in future accounting periods. Consequently the group has unrecognised deferred tax assets of £236,000 as at 31st December 2007 (2006: £253,000).

Movement in deferred tax during the year

	1 January 2007 £000	Recognised in income £000	Additions/ disposals £000	Recognised in equity £000	31 December 2007 £000
Property, plant and equipment	561	68	49	-	678
Employee benefits	(1,246)	1,434	-	-	188
Other temporary differences	(2,480)	552	-	-	(1,928)
Share options	(1,416)	(460)	-	736	(1,140)
	(4,581)	1,594	49	736	(2,202)

Movement in deferred tax during the prior year

	1 January 2006 £000	Recognised in income £000	Additions/ disposals £000	Recognised in equity £000	31 December 2006 £000
Property, plant and equipment	235	326	-	-	561
Employee benefits	(6,731)	5,485	-	-	(1,246)
Other temporary differences	(2,386)	(94)	-	-	(2,480)
Share options	(1,116)	(174)	-	(126)	(1,416)
	(9,998)	5,543	-	(126)	(4,581)

19. Deferred tax assets and liabilities – Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2007 £000	2006 £000	Liabilities 2007 £000	2006 £000	Net 2007 £000	2006 £000
Property, plant and equipment	(262)	(203)	-	-	(262)	(203)
Other temporary differences	(1,491)	(1,837)	-	-	(1,491)	(1,837)
Employee benefits	-	(1,246)	188	-	188	(1,246)
Share options	(777)	(1,227)	-	-	(777)	(1,227)
Tax assets	(2,530)	(4,513)	188	-	(2,342)	(4,513)

Movement in deferred tax during the year

	1 January 2007 £000	Recognised in income £000	Recognised in equity £000	31 December 2007 £000
Property, plant and equipment	(203)	(59)	-	(262)
Other temporary differences	(1,837)	346	-	(1,491)
Employee benefits	(1,246)	1,434	-	188
Share options	(1,227)	(379)	829	(777)
	(4,513)	1,342	829	(2,342)

Movement in deferred tax during the prior year

	1 January 2006 £000	Recognised in income £000	Recognised in equity £000	31 December 2006 £000
Property, plant and equipment	(191)	(12)	-	(203)
Other temporary differences	(1,799)	(38)	-	(1,837)
Employee benefits	(6,731)	5,485	-	(1,246)
Share options	(1,080)	(92)	(55)	(1,227)
	(9,801)	5,343	(55)	(4,513)

20. Employee benefits

Pensions

Most pensions and related benefits for monthly paid staff of the Group are provided through the VINCI Pension Scheme, which is an externally managed and funded pension scheme. Members of the scheme are contracted out of the State Earnings Related Pension Scheme.

Members joining before 1st April 2000 did so on a 'defined benefit' basis. As this scheme is now closed to new members the current service cost will rise as the existing defined benefit members approach retirement. Members entering the scheme from this date join on a 'money purchase' basis whereby contributions are invested on behalf of the member and an annuity is purchased from an insurance company on retirement.

The information disclosed below is in respect of the defined benefit part of the plan in which VINCI PLC is the sponsoring employer.

Group and Company

	2007 £000	2006 £000
Present value of partly funded defined benefit obligations	194,174	191,900
Fair value of plan assets	(195,656)	(189,755)
Net obligations	(1,482)	2,145
Unrecognised actuarial gains and losses	857	2,009
Recognised (asset)/liability for defined benefit obligations	(625)	4,154

Movements in present value of defined benefits obligations

	2007 £000	2006 £000
Group and Company		
At 1st January	191,900	190,836
Current service cost	3,531	2,853
Interest cost	9,751	9,033
Actuarial (gain)/losses	(1,467)	(2,081)
Benefits paid	(10,262)	(6,361)
Contributions by members	721	870
Curtailment	-	(3,250)
At 31st December	194,174	191,900

Notes to the Accounts
at 31st December 2007 (continued)

20. Employee benefits (continued)

Group and Company

Movements in fair value of plan assets

	2007 £000	2006 £000
At 1st January	189,755	163,339
Expected return on plan assets	11,694	10,818
Actuarial (losses)/gains	(2,619)	4,987
Contributions by employer	6,367	16,102
Contributions by members	721	870
Benefits paid	(10,262)	(6,361)
At 31st December	195,656	189,755

Expense/(credit) recognised in the income statement

	2007 £000	2006 £000
Current service cost	3,531	2,853
Interest on defined benefit pension plan obligation	9,751	9,033
Expected return on defined benefit pension plan assets	(11,694)	(10,818)
Curtailment	-	(3,250)
	1,588	(2,182)

The net expense/(credit) is recognised in the following line items in the income statement:

	2007 £000	2006 £000
Administrative (income)/expenses	3,531	(397)
Financial income	(1,943)	(1,785)
	1,588	(2,182)

Cumulative actuarial gains/losses reported in the statement of recognised income and expenses since 1st January 2005, the transition date to adopted IFRSs, are £nil (2006: £nil).

20. Employee benefits (continued)

The fair value of the plan assets and the expected return on those assets were as follows:

	2007 Fair value £000	2006 Fair value £000	2007 Expected return %	2006 Expected return %
Equities	97,655	111,675	7.4	7.3
Government debt	35,056	33,658	4.4	4.3
Corporate bonds	43,194	22,437	5.8	5.1
Property	8,403	9,350	5.9	5.8
Other	11,348	12,635	5.9	4.5
	195,656	189,755		
Actual return on plan assets	9,075	15,804		

There are no investments in the Group's equity, financial instruments or property included in the fair value of the plan assets.

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages):

		2007 %	2006 %
Discount rate - benefit obligations		5.8	5.1
Expected rate of return on plan assets		6.25	6.25
Future salary increases		3.0	3.0
Inflation		3.4	3.0
Future pension increases	- in payment	3.7	3.5
	- in deferment	3.4	3.0

Life expectancy (years)	2007		2006	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	19.8	22.8	18.2	21.2
Member age 45 (life expectancy at 65)	21.8	24.6	19.7	22.5

20. Employee benefits (continued)

History of plans

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Present value of defined benefit obligation	194,174	191,900	190,836	163,980	150,641
Fair value of plan asset	(195,656)	(189,755)	(163,339)	(132,977)	(120,491)
(Surplus)/deficit	(1,482)	2,145	27,497	31,003	30,150

Experience adjustments

	2007 £000	%	2006 £000	%	2005 £000	%	2004 £000	%
Experience adjustments on plan liabilities	-	-	2,594	1	21,604	11	2,971	2
Experience adjustments on plan assets	(2,619)	1	4,987	3	17,432	10	5,237	4

The Group expects to contribute approximately £6m to its defined benefit plans in the next financial year.

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £1,804,000 (2006: £1,465,000).

20. Employee benefits (continued)

Share-based payments - Group

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares in the ultimate parent, VINCI SA:

Date of grant and number of employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Equity settled award to 5 employees on December 17th 2002	140,000	vested	expiry 17.12.12
Equity settled award to 6 employees on March 16th 2005	36,000	see below	expiry 16.03.12
Equity settled award to 26 employees on May 16th 2006	58,000	see below	expiry 16.05.12

In respect of the 2005 and 2006 schemes, beneficiaries may exercise two thirds two years after receipt and all three years after receipt.

In May 2007 VINCI SA carried out a share capital split, reducing the par value of each share by half and doubling the number of shares in issue. The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (€) 2007	Number of options 2007	Weighted average exercise price (€) 2006	Number of options 2006
Outstanding at the beginning of period	49.73	178,904	32.93	197,800
Adjustments re prior year	-	(372)	-	-
2006 Rights Issue	-	-	-	2,940
2007 Scrip Issue	27.23	143,810		
Granted during the period	-	-	80.64	58,000
Scheme leavers	(40.32)	(12,000)	-	-
Exercised during the period	(29.23)	(33,094)	(27.95)	(79,836)
Outstanding at the end of period	26.50	277,248	49.73	178,904

The weighted average share price at the date of exercise of share options exercised during 2007 was 54 euros (2006: 94 euros).

The options outstanding at the year end have an exercise price in the range of 12 euros to 40 euros and a weighted average contractual life of 5 years.

20. Employee benefits (continued)

The total expenses recognised for the period arising from share based payments are as follows:

	2007 £000	2006 £000
Equity settled share based payment expense	1,532	580
Total carrying amount of liabilities	2,509	977

Share based payments - Company

Date of grant and number of employees entitled	Number of instruments	Vested conditions	Contractual life of options
Equity settled award to 5 employees on December 17th 2002	140,000	vested	expiry 17.12.12
Equity settled award to 1 employee on March 16th 2005	6,000	see below	expiry 16.03.12
Equity settled award to 1 employee on May 16th 2006	2,000	see below	expiry 16.05.12

In respect of the 2005 and 2006 schemes, beneficiaries may exercise two thirds two years after receipt and all three years after receipt. In May 2007 VINCI SA carried out a share capital split, reducing the par value of each share by half and doubling the number of shares in issue.

	Weighted average exercise price (€) 2007	Number of options 2007	Weighted average exercise price (€) 2006	Number of options 2006
Outstanding at the beginning of period	32.05	90,104	30.14	161,000
Adjustments re: prior year	-	252	-	-
2006 rights issue	-	-	-	2,940
2007 scrip issue	16.85	57,010	-	-
Granted during the period	-	-	80.64	2,000
Exercised during the period	(29.23)	(33,094)	(28.04)	(75,836)
Outstanding at the end of period	16.81	114,272	32.05	90,104

The weighted average share price at the date of exercise of share options exercised during 2007 was 54 euros (2006: 94 euros).

20. Employee benefits (continued)

The options outstanding at the year end have an exercise price in the range of 12 euros to 40 euros and a weighted average contractual life of 5 years. The total expenses recognised for the period arising from share based payments are as follows:

	2007 £000	2006 £000
Equity settled share based payment expense	950	306
Total carrying amount of liabilities	1,536	586

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black – Scholes formula. The main assumptions used to determine the fair values of the options in question, in accordance with IFRS 2, were:

Plan	May 2006	March 2005
Volatility (1)	24.19%	23.55%
Expected return on share	6.50%	6.30%
Risk-free interest rate (2)	3.68%	3.17%
Dividend growth rate hoped-for (3)	2.75%	3.52%
Fair value of the option (euros)	7.74	5.93

(1) Volatility estimated using a multi-criteria approach based on the mean reversion model applied to a four-year series of daily implied volatilities of the VINCI share.
(2) Rate at 5 years of French government bonds.
(3) Average return expected by financial analysts over the three years following the grant date adjusted by a theoretical annual growth rate beyond that period.

Free Share plan-Group and Company

On 2nd January 2007 25 Group employees (Company: 3) were granted a maximum of 16,000 (company: 1,500) free shares subject to the following vesting conditions:

- The shares are only definitely allocated at the end of a vesting period of two years, which can be extended to three years by the VINCI board.
- The number of shares effectively allocated at the end of the vesting period is determined on the basis of changes in a performance indicator during the period.
- The shares granted must be held for a minimum of two years during which they may not be disposed of.

The main assumptions used to determine the fair values of these free shares are the fair value of the share at the grant date of 24.50 euros, a volatility of 21.79% and a risk-free interest rate of 3.76%.

During 2007 and 2006, the Group and Company offered to its employees the Castor Savings Scheme which enables employees, through a trust fund, to participate in the creation of a joint portfolio of shares in the Parent Company, VINCI SA. This entitles the employees who invest the right to a cash payment based on the increase in share price of the Company from grant date until the vesting date, which is a minimum of 5 years.

The fair value of the Castor Savings Scheme at grant date is determined based on the Black – Scholes formula. The model inputs were the share price of 53.58 euros (2006: 71.70 euros), the exercise price of 45.10 euros (2006: 64.51 euros), expected volatility of 22.05% (2006: 24.72%), expected dividends of 2.57% (2006: 2.75%), a term of 5 years (2006: 5 years) and a three month risk free rate of 4.75% (2006: five month risk free rate of 3.03%).

21. Reconciliation of movement in capital and reserves

Group	Share capital £000	Capital redemption £000	Cashflow hedging reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
At 1st January 2006	18,956	300	(634)	397	31,033	50,052
Total recognised income and expense	-	-	-	-	22,361	22,361
Realisation of cash flow hedging reserve	-	-	634	-	(634)	-
Equity settled transactions	-	-	-	580	-	580
Deferred tax recognised directly in equity	-	-	-	-	126	126
Tax credit recognised directly in equity	-	-	-	-	1,093	1,093
Dividends	-	-	-	-	(19,000)	(19,000)
At 31st December 2006	18,956	300	-	977	34,979	55,212
At 1st January 2007	18,956	300	-	977	34,979	55,212
Total recognised income and expense	-	-	-	-	33,637	33,637
Equity settled transactions	-	-	-	1,532	-	1,532
Deferred tax recognised directly in equity	-	-	-	-	(736)	(736)
Tax credit recognised directly in equity	-	-	-	-	483	483
Dividends paid	-	-	-	-	(21,000)	(21,000)
Transfer between reserves	-	-	-	(2,509)	2,509	-
At 31st December 2007	18,956	300	-	-	49,872	69,128

Company	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
At 1st January 2006	18,956	300	10,937	15,838	46,031
Total recognised income and expense	-	-	-	13,940	13,940
Equity settled transactions	-	-	306	-	306
Deferred tax recognised directly in equity	-	-	-	55	55
Tax credit recognised directly in equity	-	-	-	1,093	1,093
Dividends	-	-	-	(19,000)	(19,000)
At 31st December 2006	18,956	300	11,243	11,926	42,425
At 1st January 2007	18,956	300	11,243	11,926	42,425
Total recognised income and expense	-	-	-	28,705	28,705
Equity settled transactions	-	-	950	-	950
Deferred tax recognised directly in equity	-	-	-	(735)	(735)
Tax credit recognised directly in equity	-	-	-	483	483
Dividends paid	-	-	-	(21,000)	(21,000)
Transfer between reserves	-	-	(1,536)	1,536	-
At 31st December 2007	18,956	300	10,657	20,915	50,828

21. Reconciliation of movement in capital and reserves (continued)

Share capital

At 31st December 2007, the authorised, allotted, called up and fully paid share capital comprised 18,956,000 £1 ordinary shares (2006: 18,956,000).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Capital redemption reserve

The capital redemption reserve reflects the value of shares redeemed by the Company from distributable profits.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserves

The other reserve consists of:

(i) A capital contribution towards share options under IFRS2. This reserve is the distributable capital reserve arising from IFRS2 share based transactions. The Group and Company believe that it better reflects the substance of these transactions to credit retained earnings directly. Accordingly, the amounts so far recognised have been transferred to retained earnings.

(ii) A non-distributable reserve of £10,657,000 (2006: £10,657,000) that was created as a result of an inter group reorganisation to create a more efficient capital structure. This reserve is at company level only.

22. Financial Instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in interest rates.

Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on the bank loans is on a fixed rate basis. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 31st December 2007 the Group had interest rate swaps with a notional contract amount of £6.1m (2006: £Nil). The swap at 31st December 2007 was on the bank loan on a jointly controlled entity, Doncaster School Solutions Limited.

The Group classifies interest rate swaps as cash flow hedges and states them at fair value. The net fair value of swaps at 31st December 2007 was £777,000 liability (2006: £Nil).

23. Capital commitments

Group	2007	2006
Capital expenditure	£000	£000
Contracted for but not provided in the accounts	207	-

24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2007 £000	2006 £000	Company 2007 £000	2006 £000
- within 1 year	6,777	5,375	2,441	2,399
- between 2 and 5 years	16,294	9,624	6,725	6,261
- over 5 years	15,577	17,358	15,473	17,345
	38,648	32,357	24,639	26,005

One of the Group and Company's leased properties is under a sale and leaseback transaction for a period of eighteen years.

25. Contingent liabilities

The Company and certain Group undertakings have entered into guarantees relating to bonds, in the normal course of business, from which no losses are expected to arise.

Joint banking facilities available to the Company, its parent undertaking and certain fellow subsidiary undertakings are secured by cross guarantee. At 31st December 2007, the net Group borrowings were £nil (2006: £nil).

26. Related party transactions

Group

Identity of related parties

The Group has a related party relationship with its subsidiaries (see page 76) associates and joint ventures (see note 12).

Transactions with key management personnel

There are no additional related party transactions with the directors (see note 5).

Other related party transactions

Associates and joint ventures

During the year ended 31st December 2007, associates and joint ventures purchased services from the Group in the amount of £60.7m (2006: £17.1m) and at 31st December 2007 associates and joint ventures owed the Group £13.5m (2006: £5.1m). Transactions with associates and joint ventures are priced on an arm's length basis. No dividends were received from associates and joint ventures in 2007 or in 2006.

Companies under common control

During the year the Group purchased services from fellow subsidiaries of the ultimate parent company, VINCI SA for £8.3m (2006: £Nil) and fellow subsidiaries purchased services from the Group in the amount of £3.8m (2006: £2.8m). The parent company, VINCI Construction charged the Group £2.7m (2006: £2.3m) in royalties.

At 31st December 2007 fellow subsidiaries owed the Group £2.0m (2006: £4.3m) and the Group owed £7.3m (2006: £2.7m) to fellow subsidiaries.

Company

Identity of related parties

The company has a related party relationship with its subsidiaries and its parent companies. During the year ended 31st December 2007, the company recharged £16.3m (2006: £12.9m) in management fees and expenses to its subsidiaries. The company also paid £1.2m (2006: £1.5m) in services purchased from subsidiaries and £2.7m (2006: £2.3m) in royalties paid to its parent company.

At 31st December 2007 the company was owed £1.6m (2006: £2.2m) by related parties and owed £12.2m (2006: £13.3m) to related parties.

Transactions with key management personnel

There are no additional related party transactions with the directors (see note 5).

27. Subsequent event

On 10th January 2008, VINCI PLC completed the purchase of the entire share capital of Cardiff based building contractor Fifehead Limited. On 20th February 2008 VINCI PLC completed the purchase of the entire share capital of Gordon Durham & Co. Limited.

28. Ultimate parent undertaking

At 31st December 2007 the ultimate parent undertaking was VINCI, a company incorporated in France. This is the parent undertaking of VINCI CONSTRUCTION, the smallest Group of which the Company is a member and for which Group accounts are prepared.

Copies of the accounts of the above companies can be obtained from the Company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France.

Principal Subsidiary Undertakings
at 31st December 2007

Construction
Norwest Holst Limited
*John Jones (Excavation) Limited
*Crispin & Borst Limited
*Simplex Foundations Limited
*PEL Interiors Limited
*Weaver PLC

Engineering and Support Services
Rosser & Russell Maintenance Limited (formerly Rosser & Russell Building Services Limited)

Manufacturing
Conren Limited

PFI
VINCI (Holdings) Limited
VINCI Investments Limited
**V.B. Limited
**V.B. Investments (No.2) Limited

Group Administration and Services
Haldan Indemnity Limited (Incorporated in Guernsey)
VINCI Fleet Services Limited
VINCI Property Limited
VINCI Insurance Services Limited

VINCI PLC holds 100% of the ordinary share capital and voting rights of the above companies (unless otherwise stated).

*100% of the ordinary share capital and voting rights held by a subsidiary undertaking
**50% of the ordinary share capital and voting rights held by a subsidiary undertaking

Unless otherwise stated, the above companies are incorporated in Great Britain.

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VINCI PLC is part of VINCI, the world's leading integrated concessions and construction group.

www.vinci.plc.uk

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