VINCI PLC
Annual Report 2006


TED BAKER

Contents

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No environmentally damaging chemicals have been used to bleach the paper.

Front Cover: Broadgreen Hospital, Liverpool
Opposite: House of Fraser, Dundrum

Company Information

Directors

J O M Stanion	(Chairman & Chief Executive)
D W Bowler	
A M Comba	
D A L Joyce	
J C Banon	(Non-executive)
Q Davies MP	(Non-executive)
R M R Francioli	(Non-executive)
X M P Huillard	(Non-executive)
F Ravery	(Non-executive)
E M M Zeller	(Non-executive)

Secretary

D W Bowler

Registered Address

Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW

Website Address

www.vinci.plc.uk

Registered Number

737204

Auditors

KPMG LLP
Altius House
One North Fourth Street
Central Milton Keynes
MK9 1NE

Bankers

National Westminster Bank Plc
P O Box 2DG
208 Piccadilly
LONDON
W1A 2DG

Opposite: Barn Theatre, Broadgreen Hospital, Liverpool

These financial results were exceptionally good and reflect the underlying quality of the core building business.

John Stanion, Chief Executive, VINCI PLC

Chief Executive's Report

Operating and Financial Review

The last year marked further progress in the development of the Group. Turnover fell slightly to £632 million compared with £639 million in 2005. However, as I reported last year, 2005 was one of exceptional growth boosted by the acquisition of almost £100 million of turnover from four contracts acquired from Jarvis PLC. The last year was therefore a period of consolidation in which the Building Division's growth paused, after climbing 60% in the previous year. Profit for the year increased to £22.4 million. There was a net cash outflow of £20 million following distribution of a dividend of £19 million and payments into the final salary pension fund of £16 million. These financial results, comprising a net profit of 3.5% on turnover, were exceptionally good and reflect the underlying quality of the core building business. The underlying strength of the Group as a whole is also reflected in the accident statistics which show a reduction of 46.7% between the years 2001-2006. These achievements testify to the commitment and dedication of all our staff, to whom, on behalf of the Board I convey our thanks.

In so far as the pension fund is concerned, scheme deficits are a widespread issue and one which VINCI PLC has been determined to address. Following several years of enhanced contribution, the Company paid a further £16 million into the fund in 2006 bringing the level of assets under management to within £2.2 million of the assessment of liabilities at 31st December 2006. The VINCI final salary scheme therefore no longer carries a significant deficit and future contributions to the fund will be set to maintain this position.

The order book at the start of 2007 has increased to £485 million. The overall level of cash in hand at the year end was approximately £112 million and net assets increased to £55 million, maintaining the strength of the balance sheet.

Acquisitions and Disposals

In March 2006 the business and assets of TCL Granby were acquired for cash from the administrators of Curzon Group Holdings PLC. TCL Granby is a longstanding provider of building services, principally in the refurbishment and maintenance sector, to a number of blue chip clients largely in London and the Southeast. It had traded successfully for many years prior to its acquisition in 2001 by Curzon Group and continued to do so under their ownership. Sales in its last year within Curzon were approximately £17 million and it was cash generative and profitable. The purchase of this business by VINCI PLC represented a rare opportunity to acquire an established brand and customer base together with the experienced staff and management of TCL Granby. There were no job losses following the transfer to our ownership and TCL Granby has since continued to trade successfully as part of the Crispin & Borst Group.

In June 2006 the business and assets of PEL Limited were acquired for a cash consideration from the administrators. PEL had experienced cash flow difficulties which led to it being placed in administration by its lenders. PEL is a long established and prominent provider of interior fit out services to blue chip clients principally in the retail and commercial building market. It operates throughout the UK market from its head office in the West Midlands with a branch office in the Thames Valley. In its last reported financial year it disclosed sales of £80 million and carried out interior fit out work for customers including Marks & Spencer PLC, House of Fraser (Stores) Limited and BAA PLC amongst others. Following the purchase, the business was reorganised with a number of redundancies amongst management and staff. Since June, PEL has concentrated on successfully completing its existing contracts. It has subsequently been awarded a number of significant new contracts which will support its transformation into a new and stronger provider of interior fit out services to customers in the commercial and retail sector with the support of the Group.

Following the year end and after incurring losses on a number of contracts, the Group took the decision to dispose of Rosser & Russell's Building Services Division. This business was subsequently sold to EMCOR Group (UK) PLC which is a market leader in the building services market where Rosser & Russell's long established name and experienced staff should prosper. The Maintenance Division of Rosser & Russell has been retained and will henceforth form part of an enlarged Building Maintenance and Facilities Management Division of Crispin & Borst.

Chief Executive's Report (continued)

Review of Operations

Norwest Holst Limited

Following a reorganisation during 2006, the principal trading activities of the Group are carried out by Norwest Holst Limited through its divisions and subsidiaries.

Norwest Holst Building Division

The Building Division consolidated its rapid expansion in 2005, achieving a turnover of £265 million and recording a profit at the operating level of £16.5 million. This exceptionally good performance reflected the productivity improvements derived from moving to a higher volume of output with increased average contract size. A number of major contract awards, with a spread of smaller projects valued in the £5 million to £15 million range, led to a 35% increase in the value of orders carried forward into 2007 by comparison with 2006. Major contracts won in the year included two car parks at Bristol and Leicester valued at a combined £63 million. The former at 2,600 spaces will be the largest constructed in the city to date. The education sector featured prominently with design work underway for Leicester Grammar School, and a £27 million design and build contract started in Hackney to provide 1,200 secondary education places specialising in medical sciences and health care. Student accommodation contracts were won for the University of Birmingham at £33 million and Brunel University at £55 million. In the retail sector an £18 million design and construction contract was awarded for an ASDA supermarket in Walsall. Industrial projects awarded included three new distribution centres in Leicestershire and a contract to build warehousing, distribution and conference facilities in Kent.

Opposite: Blenheim Centre, Hounslow


SDA
24
hours

Chief Executive's Report (continued)

Norwest Holst Building Division (continued)

Work was completed on a number of major projects including five schools which were handed over under the Derby Schools PFI project, the £55 million first phase of the Blenheim Centre in Hounslow and Kent Area Police Headquarters in Chatham. The £60 million contract at Broadgreen Hospital in Liverpool, the largest to be procured under the Procure 21 initiative, was substantially completed.

The most important new project secured in the year was a £106 million package of construction work at RAF Northolt. Here a joint venture between VINCI PLC and St Modwen Properties PLC was selected to deliver project MoDEL, a £150 million investment programme for the MoD, under which facilities will be consolidated from six existing military sites in the London area. The Building Division entered 2007 with an increased backlog of orders and has the potential to increase this further in the near future. Following the establishment in 2005 of a regional office in Bristol to enter the Southwest market, the Division is planning to open further branch offices in Yorkshire and the Southeast in the period ahead to support its expansion to a national major building capability.

This Page: Derby Schools PFI
Opposite: Kent Police Headquarters

Norwest Holst Civil Engineering Division

The Civil Engineering Division turned over £68 million and made a small operating profit of £300k. It secured further contracts under its five year framework agreement with Severn Trent Water's Asset Management Programme for the upgrading of drinking water and sewage water treatment works in Derbyshire, Shropshire and Staffordshire amounting to £25 million. Two new road contracts were awarded in Kent as part of the upgrading of the M20 at junction 10 and an access road to a new retail and transport depot. Walsall Metropolitan Borough Council awarded the Division an £11.8 million contract to upgrade the ring road. New rail contracts included bridge widening on the West Coast Mainline and two further projects for Network Rail at Hademore and the Lower Ellers Viaduct. Work continues on the new rail station at White City and works commenced on the refurbishment of railway arches for the London Borough of Lambeth and Southwark. During the year the £34 million contract to construct the Baldock Bypass was completed and opened to traffic eight months ahead of schedule and a design and construct contract of £10 million for the foundations of a new plant was completed at Corus Steelworks in Scunthorpe. Work on the Gloucester South West Bypass continued and is scheduled to reach completion in Spring 2007.

The Division continued to tender for major projects and was selected as preferred bidder for a £180 million waste encapsulation plant at Sellafield. A company was established jointly with Freyssinet to bring their nuclear expertise to the UK market as power plant decommissioning gets underway. The Division is also participating in the VINCI led 'FLOW' consortium which has been short listed for the M25 widening. The outlook for 2007 is very positive with potential in the water sector, local and national roads, nuclear decommissioning, rail, waste management facilities and remediation in which areas the Division is focusing its resources.

Above: M20, Junction 10 Improvements, Kent
Opposite: Hademore Level Crossing, West Coast Route Modenisation Project










NORWEST
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Norwest Holst Engineering Services Division

The Engineering Services Division had a turnover of almost £22 million and was profitable. Its activities comprised industrial maintenance and engineering services to the water industry. It completed a £1.5 million contract for Corus in Scunthorpe to dismantle 12,000 tons of steel production components as part of the remodelling of the plant.

In January the Graniou brand was launched in the UK as part of the Division. Graniou UK will initially focus on fixed line networks for BT and several of the Own Equipment Manufacturers (OEMs) engaged in the telecommunications market. The unit enjoyed a period of rapid growth in the telecoms sector and is poised to expand further as part of BT's 21st Century programme as well as diversifying into the mobile sector as an installation, commissioning and maintenance service provider. The Utilities Division of Norwest Holst was re-positioned within the Engineering Services Division to provide a total construction service to the telecommunications industry.

Above: Corus Steelworks, Scunthorpe
Opposite: Graniou


The complete 21st Century services provider
GRANIOU
www.graniou.co.uk
Fixed & Mobile Networks I&C Services
Storage, Logistics & Maintenance

Chief Executive's Report (continued)

PEL Interiors Limited

Since the acquisition in June, PEL Interiors Limited turned over £17 million in the balance of the year and broke even. It has subsequently won over £30 million of new contracts from its established client base and enters 2007 with a solid order book. Principal clients include Marks & Spencer, House of Fraser (Stores) Limited, HSBC, BAA and NEC.

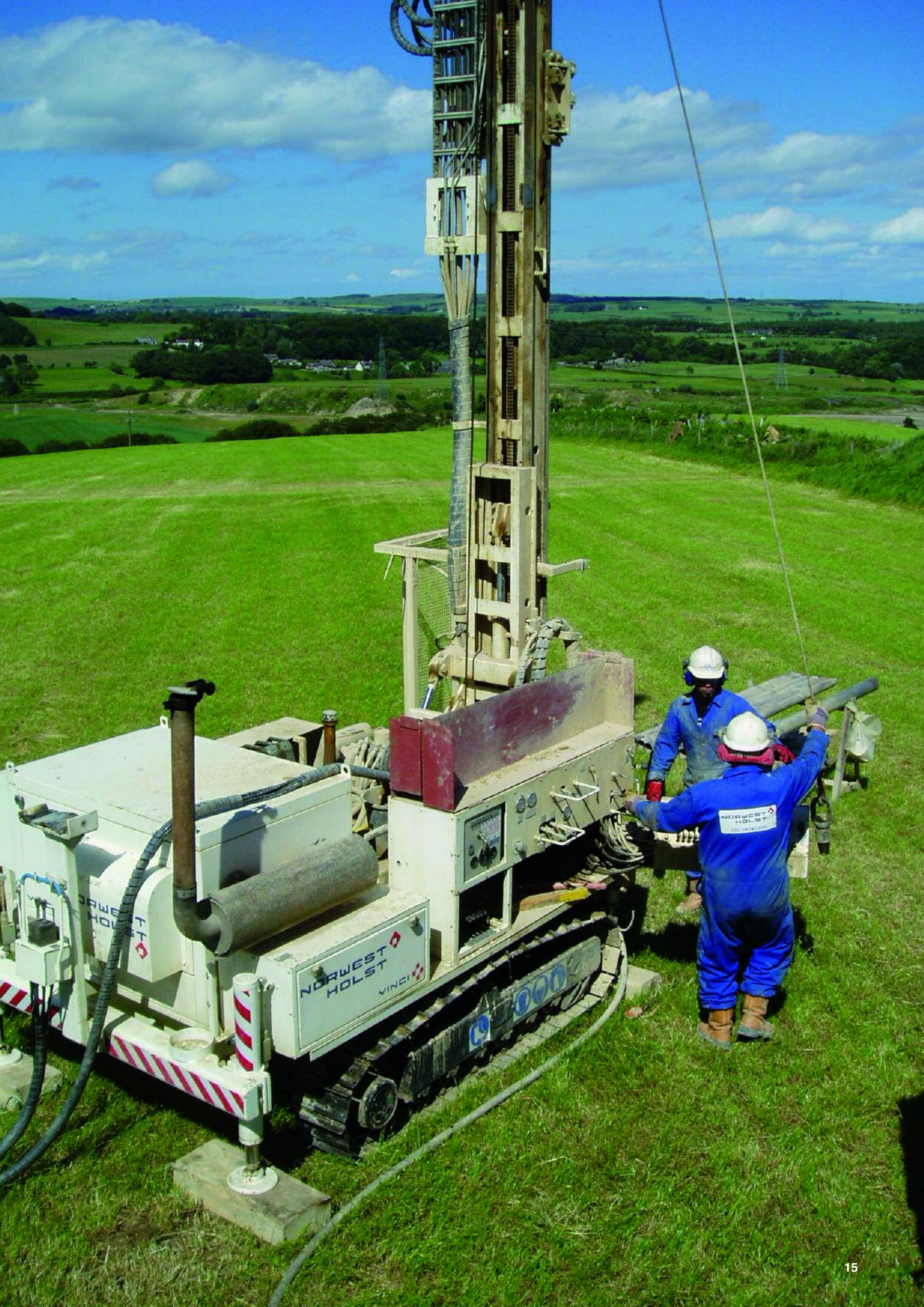
Norwest Holst Support Services Division

The Support Services Division turned over £15 million and was profitable. It was awarded preferred bidder status on two new PFI projects at Newport Schools for £15 million and Doncaster Schools for £24 million, both 25 year FM contracts. The Division continued to supply FM services on a range of existing schools, police stations, public buildings in Liverpool and infrastructure assets for British Waterways.

Norwest Holst Soil Engineering Division

The Soil Engineering Division had a turnover of £20 million and was profitable. All three regions were busy throughout the year and the Grouting Division was active in Scotland in particular. It completed ground investigation work on Phase 2 of the Aberdeen Western Peripheral Route and was awarded a further phase. Grouting work was completed for North Lanarkshire Council on disused coal seams in Airdrie in preparation for a new school development. The Division has expanded in the year and has opened a further office in Bristol.

Opposite: Aberdeen Western Peripheral Route
Below: Simply Food Outlet, Marks & Spencer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Chief Executive's Report (continued)

Crispin & Borst Limited

Crispin & Borst Limited had another successful year with turnover climbing 30% to £148 million on which a profit of £5.3 million was recorded before tax. Good progress was made on the Prison Service design and build refurbishment programme with projects to the value of £21 million currently in progress at HMP Canterbury, Maidstone, Standford Hill, Wandsworth and Feltham. A further £70 million of projects entered the design stage. New building contracts were awarded in various sectors including health with projects at Great Ormond Street Children's Hospital and a BUPA care home in Reading. In the residential market refurbishment schemes were awarded by Portman Estates, Grosvenor Estates and the Howard de Walden Estate in conservation areas in London. Large private residences are also under construction, two of which valued at £8 million are for dwellings in Totteridge and Little Gaddesden whilst a third was completed in Beaconsfield. In education the Company was active in a number of areas building primary schools. Industrial buildings also featured with a £2.5 million contract for a head office and production facility for Powakaddy International at Sittingbourne in Kent and a £9 million contract for a new retail and amenities building with a service station at Ashford in Kent. A £3.3 million contract was awarded to build a new Gorilla Kingdom at London Zoo.


HMP Wandsworth


Great Ormond Street Hospital


Great Ormond Street Hospital

The Special Works Division undertook restoration work on Chiswick House for English Heritage and completed refurbishment of sections of the Courtauld Institute. Interior fit out work was another area of activity with commercial office projects for Grosvenor Estates and St. Martins Property Investments.

The Maintenance Division of the business was restructured to focus on specific sectors: healthcare, residential, education, Government departments, security, lifestyle and leisure. Major clients include the Peabody Trust, Imperial College, the Metropolitan Police and the Royal Parks amongst many others. A number of projects were also secured under the Decent Homes initiative throughout London and the Southeast. As part of the North Kent Construction Skills Project the Division has been supporting Medway Council by providing work experience opportunities for young people in Kent. TCL Granby joined the Division in March, further strengthening the client list and broadening the service offering. Among its major clients, TCL Granby continues to work extensively with BT on framework agreements.

Entering 2007 Crispin & Borst has a strong order book across all its activities. Its Building and Facilities Division has been expanded since the year end by the transfer of Rosser & Russell Maintenance and the Support Services Division of Norwest Holst, bringing a new branch office in Widnes. This provides Crispin & Borst with a wide range of maintenance and support services capability, enhancing further the range and coverage it can provide. Its Construction Division is also planning to add further branches and to increase its penetration in the Southeast of England. The outlook for 2007 is therefore one of further growth.

Opposite: Gorilla Kingdom, London Zoo

Chief Executive's Report (continued)

Corus Steelworks, Scunthorpe

Simplex Foundations Limited

Simplex Foundations Limited, in its centenary year, undertook one of the most challenging piling contracts in the UK with the construction of a 22 metre deep basement for a new steel plant for Corus at Scunthorpe. Recent investment in upgrading the piling equipment fleet has enabled it to undertake a wider range of projects. It turned over £16 million in the year and was profitable.

John Jones (Excavation) Limited

John Jones (Excavation) Limited had another difficult year in 2006 reflecting the reduction in demand in the UK earthworks sector following completion of CTRL. It was active on a number of small road projects in England and commenced work on a major project in the Irish Republic at Castleblayney. Turnover in the year was £16 million and it incurred losses.

Rosser & Russell Building Services Limited

Rosser & Russell's turnover fell to £26 million and it too incurred losses resulting in the decision to sell the main core Building Services Division to EMCOR. The Maintenance Division achieved approved contractor status for several organisations that are key to its expansion plans including a major property investment group, the British Council, a television network, the French and Finnish Embassies and Her Majesties Court Service. This Division has now been transferred into Crispin & Borst.

Conren Limited

Conren Limited recorded steady growth to just under £5 million in sales to its market sectors during 2006. Specification sales of products to the industrial market improved and double digit growth was achieved in education, health, public buildings and prisons. Anti skid products such as Truegrip continued to take an important share of the UK road improvement programme and are now undergoing trials in Hong Kong and China. Export product sales increased to markets in the Far East and the Middle East.

VINCI Investments Limited

VINCI Investments Limited enjoyed another successful year winning the MoDEL programme from the MOD in joint venture with St Modwen Properties PLC. The Company became preferred bidder on Doncaster Schools and handed over Kent Police Headquarters in Chatham.

Opposite: University of Derby

McGill Services Limited

McGill Services Limited had a very successful year with turnover climbing to over £14 million. It completed an £8 million contract to provide the external envelope at Derby City Hospital as part of a large PFI contract being carried out by Skanska. It also worked on external façades for Norwest Holst Building at Derby University and City Inn in Manchester. In the offshore and marine sector it completed the fit out on behalf of BAE Naval Ships of two Landing Ship Docks for the MOD and was awarded a contract for a third. Work continued on the design and fabrication of cabins for BAE Naval Ships on the T45 Destroyer programme for the MOD.

Chief Executive's Report (continued)

Human Resources

The capacity of our people to innovate and challenge themselves as well as the business provides the very strongest foundation for VINCI PLC's development and growth. Securing the most talented of construction professionals remains the key focus for management if we are to achieve our ambitious targets.

Significant effort is exerted in ensuring our voluntary employee turnover remains as low as in previous years and, through our investment in retention, the business is provided with significant benefits such as excellent employee morale and high levels of motivation and productivity.

Our commitment to Investors in People (IiP) continues and through IiP and other nationally recognised training initiatives the development of our workforce is central to achieving future growth. Internal promotions and transfers together with our resolve to continuously increase the numbers of new entrants to the construction industry through sponsorship, apprenticeships and school leavers provides an excellent basis for individuals to achieve their personal goals and ambitions whilst contributing to the success of VINCI PLC.

Training days delivered in 2006 were up 10% on 2005 with over 16,000 days of off-the-job training delivered to our workforce in addition to over 300 people working to achieve NVQ's in 2006. Over 37% of all training has been invested in supervisory or management level development and training programmes.

New entrant programmes now contribute significantly to our workforce through the employment of apprentices and sponsored students as well as providing numerous work experience opportunities in 2006. This constitutes a major investment in our future and VINCI PLC will continue to grow and innovate in this area in 2007.

Our commitment to the health and well being of our workforce through our investment in occupational health has continued throughout 2006. Reductions in absences of four weeks or more has been significant. The Group believes that by tackling health related issues in the workplace, improvements in employee satisfaction and developing a supportive working environment for our workforce, employee retention will be realised.

The Group has furthered its commitment to diversity and equal opportunities in 2006 with significant amounts of training targeting this specific area. VINCI PLC is committed to ensuring the elimination of all forms of discrimination from our industry.

I would like to take this opportunity of thanking all our workforce for their personal contribution to the success of VINCI PLC in 2006.

Chief Executive's Report (continued)

Health, Safety and the Environment

Health and Safety featured prominently in the management's approach again in 2006. New initiatives included an improved near miss reporting system through the appointment of "Site Champions" and the publication of clearer criteria associated with the numerical scoring of a number of key subjects in the Health, Safety and Environmental Advisor's site visit reports. These reports are closely monitored by the senior management who use them to form key performance indicators for their businesses which they publish through Company specific Directors' targets. Low scores identified in these reports are tracked and their closeout is monitored.

During the year 78 low score reports were issued to management with instructions to take remedial action. Out of the total, 27 concerned work at height and 14 low level access, these being the most commonly found occurrences. Work at height continues to be the single most serious cause for concern and is one that will continue to be a focus of attention in the period ahead. The separation of people from plant and vehicles is also a subject that will be prioritised for attention.

A behavioural pilot study carried out within Simplex Foundations Limited has been an unqualified success and we plan to work with our service provider to expand this initiative to other parts of the Group.

We continue to work with the other Contractors who form the Major Contractors Group (MCG) to drive through a range of health, safety and environmental initiatives. These are aimed at both improving our own businesses and the industry at large. We believe that the introduction of CSCS cards, for example, and their attendant national health and safety test and skills assessment have led to considerable improvements in both site standards and the perception of the workforce and customers.

The Group maintained its low accident rate, when compared to the industry norm of a reportable accident incidence rate per 1,000 persons at risk of approximately 17.9* and a reportable accident frequency rate per 100,000 man hours worked of more than 1.0. The Group's joint rates for both employees and sub-contractors were incidence rate 6.3, frequency rate 0.32. Unfortunately, this represents an increase on the 2005 figures which has been caused by the significant increase in the number of reportable accidents attributable to one of the Group companies. The management team are aware of this and are taking action to improve the performance. However, as already mentioned earlier in this report, in the five year period ending 31st December 2006, the Group has achieved a 47% reduction in its reportable accident frequency rate, frequency rate being the more accurate of the two rates quoted here.

There were no fatalities on any of the Group's sites during the period although there is criminal legal action being taken against one of the Group's companies in connection with the death of a sub-contractor's employee that occurred during a joint venture contract with Costain in 2002. The case comes to trial in December 2007.

I, along with all the Directors, am personally committed to continuous improvements in our safety performance and to safeguarding the health of those who are employed on our sites or have reason to come into contact with them.

The environment has become another focus of attention and, whilst our impact on the environment at site level is carefully and effectively managed, the tracking of our wider environmental effects requires more effort. In 1999 we produced our first "Green House Gas Account" and began to track our carbon emissions. We plan to repeat this process during the next twelve months and will continue to monitor our progress in this respect thereafter.

In addition, we have joined the MCG's environmental initiative and will be measuring, reporting and sharing information on energy use and waste. The MCG will be in a position to publish its first report in this respect at the end of 2007.

*The source of this incidence rate is the Health and Safety Statistics 2005/06 which are available at www.hse.gov.uk. The information can be found under the heading "Estimated rates of reportable non-fatal injury to workers - construction" where the published rate is 1,790 per 100,000 persons at risk.

Chief Executive's Report (continued)

Measuring our carbon footprint and introducing targets for reduction will assist us to make progress towards our long term target of becoming carbon neutral. This process will extend to all areas of our business in terms of assessing environmental impacts. The use of vehicles and plant is an essential part of the construction process and we intend to measure our usage of transport and plant and seek opportunities to reduce fuel usage and emissions. The average CO_2 emissions from the cars provided by the Company are 146 for 2006.

Amongst other measures we are implementing, Norwest Holst's Building Division is the first in the industry to develop a bespoke site accommodation unit which is a prototype in energy conservation. The new site cabins are fitted with PIR detectors to control lighting, sensors to control and reduce heating and electricity usage and extra insulation to cut energy consumption and wastage. A number of existing site cabins will be refurbished and, subject to performance measurement, the entire fleet will be converted.

Waste from sites is being measured and managed and segregated where possible for recycling. Further effort will be put into targeting continuous reduction in waste material and maximising recycling during 2007.

It is our intention to be at the forefront of the industry in reducing our impact on the environment in the years ahead.

Chief Executive's Report (continued)

Outlook

The Group entered the year with a significant increase in the order book compared to 2006. In addition, we anticipate converting a number of current bids into new orders in the near future. This underpins our confidence that going forward, volumes will be maintained or increased.

The core businesses of the Group are building and civil engineering and both are well placed to take advantage of developments in the market and levels of demand. The outlook for construction in the UK remains very positive, with forecasters predicting growth in the years ahead supported by demand for new infrastructure, the Olympics and the level of investment in education and health. The private sector level of demand is also forecast to remain good and the increasing interest in and urgency of measures to tackle environmental challenges and global warming should open up further areas of opportunity.

The decision to dispose of our mechanical and electrical construction capability by the sale of the main core division of Rosser & Russell brings to an end a period of loss making activity. Henceforth we will subcontract such activity in its entirety to a selected number of major national building services contractors.

The Building Division of Norwest Holst has a particularly good opening order book and plans to expand its network of regional offices to support its growth to full national coverage. We also plan to build on the success of Crispin & Borst with TCL Granby, Norwest Holst Support Services and Rosser & Russell in the hard maintenance and facilities management sector by moving from a predominantly Southeast focused operation to a national one. In the local building market Crispin & Borst's Construction Division plans to expand its coverage initially throughout the Southeast.

John Jones faces another difficult year as the level of demand for heavy earthmoving associated with major road projects remains subdued. The company will be focusing on smaller projects and eliminating losses.

The specialised subsidiaries tend to have short order books and their outputs are dictated by demand levels in the sectors they serve. However, all these markets relate to construction and are anticipated to remain strong. The telecommunications industry is forecast to continue to invest in improving both fixed line and mobile networks and this should benefit Graniou. In the marine and offshore markets McGill

faces more positive market conditions than at any time in the past few years as the prospects for investment in naval shipbuilding and offshore oil and gas production improves.

PEL brings a new dimension to our range of construction services, providing as it does a platform for the development of our existing commercial interior fit out business in London to a national one focused on retail, commercial offices, leisure and lifestyle.

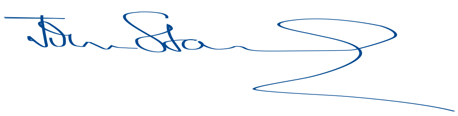
The Group enjoys a very strong balance sheet for its size and is debt free with substantial cash resources. We intend to support the expansion of our core businesses from an already strong base through further investment in organic development and by acquisition where the circumstances are deemed appropriate.

I am confident that we will enjoy another successful year in 2007 with further growth and acceptable financial results. Our strategic plan envisages the development of the Group throughout the UK market in our chosen sectors with expansion to around a £1 billion output by 2009.

The only cautionary note is the lack of skilled resources from which the construction industry suffers at a time of unprecedented demand.

The industry needs to do more to improve its image and appeal to young people making career choices and to attract more of them including graduates as well as trade skills.

I am pleased to close by reporting the continued success of our business here in the UK coupled with the best results achieved at any time in the 19 year history of VINCI's involvement. I look forward with confidence to another year of progress in 2007.



J O M Stanion
Chairman and Chief Executive
VINCI PLC
20th March 2007

Above: Kent Police Headquarters

Chief Executive's Report (continued)

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 and contract 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 cost to completion and revenue. 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.

Chief Executive's Report (continued)

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 and 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 re-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 have made additional contributions to the final salary pension scheme to close the deficit between assets and 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%. The scheme was closed to new members in 2000 and an alternative defined contribution scheme was established in its place. The residual risks to the final salary scheme are investment performance and mortality rates.

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 statistics are set out in the CEO's review.

The Environment

The Group recognises the importance of minimising our impact on the environment and is pro-actively managing these. New procedures are to be adopted in 2007 to measure and manage outputs and to set targets for reduction.

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 reported on in the CEO's review.

Civil Involvement

Community relations are encouraged as an outward sign of the commitment we have to the communities in which we work, over and above those defined by law or expected by our shareholders. Our staff regularly participate in initiatives which help to form strong community links, as well as advancing the image of construction and encouraging young people into the industry.

J O M Stanion
Chairman and Chief Executive
VINCI PLC
20th March 2007

Directors' Report

The Directors submit their annual report to the members, together with the audited accounts for the year ended 31st December 2006.

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 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 £22,361,000 (2005: £16,325,000). Dividends paid during the year comprise of an interim dividend of £1.002 per share amounting to £19,000,000 (2005:Nil) in respect of the year ended 31 December 2006. The Directors do not propose a final dividend resulting in a transfer to reserves of £22,361,000 (2005: £16,325,000).

Directors and directors' interest

The present directors of the Company are set out on Page 3.

The following directors were appointed during the year:

F Ravery	19 January 2006
D Bowler	8 March 2006
R Francioli	31 August 2006

The following directors resigned during the year:

P Billon	8 March 2006
P Ratynski	20 March 2006
A Zacharias	8 August 2006

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

	Number of options granted	Number of options exercised
J O M Stanion	-	60,836
D W Bowler	-	15,000

Indemnity Provisions

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

Directors' Report (continued)

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 £30,382 during the year (2005: £30,605).

No political donations were made (2005: £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 2006 was nil (2005: nil) and for the Group was 51 (2005: 50).

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 20th March 2007 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.

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.

Opposite: Broadmead Multi-Storey Car park, Bristol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Independent Auditors' Report to the Shareholders

Report of the independent auditors to the members of VINCI PLC

We have audited the group and parent company financial statements (the "financial statements") of VINCI PLC for the year ended 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Recognised Income and Expense 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 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law 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 31 December 2006 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 31 December 2006;
- 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
20th March 2007

Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

VINCI PLC

Accounts
for the year ended 31st December 2006

Consolidated Income Statement
for the year ended 31st December 2006

Continuing Operations	Notes	2006 £000	2005 £000
Revenue	1	632,215	639,165
Cost of sales		(570,064)	(580,847)
Gross profit		62,151	58,318
Other operating income	2	11,581	-
Administrative expenses	3 - 4	(48,704)	(46,967)
Operating profit before net financing income	3	25,028	11,351
Financial income	6	17,502	16,401
Financial expenses	6	(10,804)	(11,884)
Net financing income		6,698	4,517
Share of profits of associates and joint controlled entities using the equity accounting method		215	119
Profit on sale of investments	7	-	3,599
Profit before taxation		31,941	19,586
Taxation	8	(9,580)	(3,261)
Profit for the year		22,361	16,325

All amounts relate to continuing operations.

Statement of Recognised Income and Expense

for the year ended 31st December 2006

	Note	Group 2006 £000	2005 £000	Company 2006 £000	2005 £000
Deferred tax recognised directly in equity		126	702	55	701
Tax credit recognised directly in equity		1,093	-	1,093	-
Effective portion of changes in fair value of cash flow hedges		-	(444)	-	-
Net income recognised directly in equity		1,219	258	1,148	701
Profit for the year		22,361	16,325	13,940	4,345
Total recognised income and expense	23	23,580	16,583	15,088	5,046

Consolidated Balance Sheet

at 31st December 2006

	Notes	2006 £000	2005 £000
Non-current assets			
Property, plant and equipment	11	17,391	24,283
Intangible assets	10	6,167	2,542
Investment in jointly controlled entities	12	29	837
Investments in associates	12	2,096	1,410
Deferred tax asset	21	4,581	9,998
		30,264	39,070
Current assets			
Inventories	13	2,945	2,713
Tax receivable		-	547
Trade and other receivables	14	141,515	122,961
Cash and cash equivalents	15	141,116	160,846
Assets classified as held for sale	16	287	-
		285,863	287,067
Total assets		316,127	326,137
Current liabilities			
Bank overdraft	15	29,245	28,605
Other interest bearing loans and borrowings	19	269	378
Trade and other payables	17	217,217	214,046
Tax payable		9,334	8,734
		256,065	251,763
Non-current liabilities			
Other interest bearing loans and borrowings	19	696	250
Trade and other payables	18	-	1,000
Employee benefits	22	4,154	22,438
Other financial liabilities	20	-	634
		4,850	24,322
Total liabilities		260,915	276,085
Net assets		55,212	50,052

Consolidated Balance Sheet (continued)

at 31st December 2006

	Notes	2006 £000	2005 £000
Equity attributable to equity holders of the parent			
Issued share capital	23	18,956	18,956
Capital redemption reserve	23	300	300
Cash flow hedging reserve	23	-	(634)
Other reserve	23	977	397
Retained earnings	23	34,979	31,033
Total equity		55,212	50,052

The financial statements were approved by the Board on 20th March 2007 and signed on its behalf by:

A M Comba (Director)

Company Balance Sheet
at 31st December 2006

	Notes	2006 £000	2005 £000
Non-current assets			
Property, plant and equipment	11	4,097	2,562
Investments in Group undertakings	12	41,939	41,839
Deferred tax asset	21	4,513	9,801
		50,549	54,202
Current assets			
Tax receivable		609	1,511
Trade and other receivables	14	4,543	7,917
Cash and cash equivalents	15	22,445	43,676
		27,597	53,104
Total assets		78,146	107,306
Current liabilities			
Other interest bearing loans and borrowings	19	177	378
Trade and other payables	17	24,220	31,735
Tax payable		3,169	2,797
		27,566	34,910
Non-current liabilities			
Other interest bearing loans and borrowings	19	324	250
Employee benefits	22	4,154	22,438
Provisions		3,677	3,677
		8,155	26,365
Total liabilities		35,721	61,275
Net assets		42,425	46,031
Equity attributable to equity holders of the Parent			
Issued share capital	23	18,956	18,956
Capital redemption reserve	23	300	300
Other reserve	23	11,243	10,937
Retained earnings	23	11,926	15,838
Total equity		42,425	46,031

The financial statements were approved by the Board on 20th March 2007 and signed on its behalf by:

A M Comba (Director)

Cash Flow Statements
for the year ended 31st December 2006

	Group 2006 £000	2005 £000	Company 2006 £000	2005 £000
Cash flows from operating activities				
Profit for the year	22,361	16,325	13,940	4,345
Adjustments for:				
Depreciation, amortisation and impairment	4,580	6,710	1,662	1,220
Financial income	(17,502)	(16,401)	(28,026)	(15,018)
Financial expense	10,804	11,884	9,033	10,921
Negative goodwill on acquisition of subsidiaries	(5,506)	-	-	-
Share of profits in jointly controlled entities and associates	(215)	(119)	-	-
Gain on sale of property, plant and equipment	(6,234)	(929)	(28)	(25)
Gain on sale of investments	-	(3,599)	-	-
Equity settled share-based payment expenses	580	168	306	51
Taxation	9,580	3,261	5,596	(2,259)
Operating cash flows before movements in working capital and provisions	18,448	17,300	2,483	(765)
(Increase)/decrease in trade and other receivables	(7,819)	(11,539)	3,268	8,540
(Increase)/decrease in stock	(232)	(349)	-	-
(Decrease)/increase in trade and other payables	(2,359)	26,259	(7,143)	5,803
Decrease in provisions and employee benefits	(16,499)	(4,661)	(16,499)	(4,661)
Cash generated from operations	(8,461)	27,010	(17,891)	8,917
Interest paid	(1,771)	(2,933)	(259)	-
Tax (paid)/received	(3,475)	(2,234)	1,748	167
Net cash from operating activities	(13,707)	21,843	(16,402)	9,084
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	15,350	2,653	135	672
Interest received	6,684	6,549	2,123	2,261
Dividends received	-	-	15,344	1,000
Disposal of subsidiary, net of cash disposed of	-	932	-	-
Disposal of jointly controlled entity	-	1,213	-	-
Acquisition of property, plant and equipment	(5,621)	(4,393)	(2,946)	(3,324)
Subordinated loan to associate entities	(686)	(617)	-	(10)
Acquisition of subsidiary net of cash acquired	(2,851)	-	-	-
Repayment of loan by jointly controlled entity	102	-	-	-
Net cash from investing activities	12,978	6,337	14,656	599

Cash Flow Statements (continued)
for the year ended 31st December 2006

Cash flows from financing activities	Notes	Group 2006 £000	2005 £000	Company 2006 £000	2005 £000
Repayment of borrowings	19	-	(558)	-	-
(Decrease)/increase in finance lease obligations	19	(641)	(1,128)	(485)	628
Dividends paid	23	(19,000)	-	(19,000)	-
Net cash from financing activities		(19,641)	(1,686)	(19,485)	628
Net (decrease)/ increase in cash and cash equivalents		(20,370)	26,494	(21,231)	10,311
Cash and cash equivalents at 1 January		132,241	105,747	43,676	33,365
Cash and cash equivalents at 31 December	15	111,871	132,241	22,445	43,676

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 s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

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.

Accounting Policies (continued)

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 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.

Accounting Policies (continued)

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.

Accounting Policies (continued)

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 1 January 2004, the date of transition to Adopted IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 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.

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.

Accounting Policies (continued)

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 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 1 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

Accounting Policies (continued)

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.

Turnover

Turnover 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.

Accounting Policies (continued)

Taxation (continued)

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 2006

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

	2006 £000	2005 £000
Net gain on disposal of property	6,075	-
Negative goodwill on acquisitions (see below/note 9)	5,506	-
	11,581	-

The fair value adjustments of both acquisitions may be split as follows:

	Brand Name £'000	Customer List £'000	Assets acquired less purchase price £'000	Total £'000
TCL Granby	952	927	-	1,879
PEL Group	1,496	455	-	1,951
Net intangible assets	2,448	1,382	-	3,830
TCL Granby	-	-	1,184	1,184
PEL Group	-	-	492	492
Negative goodwill	2,448	1,382	1,676	5,506

3. Expenses

		2006 £000	2005 £000
Group			
Included in the profit are the following:			
Operating leases	- plant and machinery	18,847	18,849
Operating leases	- other	2,429	2,870
Impairment loss/amortisation on goodwill		205	2,238
Depreciation of tangible assets		4,375	4,472
Profit on disposal of fixed assets		(159)	(929)
Auditors' remuneration	- audit	162	137
Non audit fees	- taxation services	102	121
Company			
Auditors' remuneration	- audit	27	23

The non-audit fees are not due to the current auditors; KPMG LLP.

Notes to the Accounts (continued)
at 31st December 2006

4. Employees

Group

(i) Staff costs during the year amounted to:

		2006 £000	2005 £000
Wages and salaries		97,138	91,798
Social security costs		9,504	8,533
Pension (credit)/costs	- defined contribution scheme	1,465	1,171
	- defined benefit scheme	(2,182)	2,437
		105,925	103,939

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

	2006 No.	2005 No.
Management	72	72
Supervision	676	668
Administration	547	541
Operations	1,507	1,491
	2,802	2,772

Contributions made in the year to the Group's Employee Benefit Trust, established to provide benefits to employees, amounted to £Nil (2005: £19,000).

Company

(i) Staff costs during the year amounted to:

		2006 £000	2005 £000
Wages and salaries		5,887	6,662
Social Security costs		408	362
Pension costs	- defined contribution scheme	90	39
	- defined benefit scheme	608	716
		6,993	7,779

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

	2006 No.	2005 No.
Management	16	16
Supervision	25	25
Administration	82	75
Operations	6	6
	129	122

Notes to the Accounts (continued)
at 31st December 2006

5. Directors' remuneration

	2006 £000	2005 £000
Emoluments	1,138	1,038
Pension costs	553	226
	1,691	1,264

Three of the directors (2005: 2) are accruing benefits under the Group defined benefit plans and three (2005: 2) under the defined contribution plan. Directors' emoluments disclosed above include the following:

	2006 £000	2005 £000
Highest paid Director	366	395

The money purchase pension scheme costs relating to the highest paid director were £134,680 (2005: £60,731). The annual pension accruing to the highest paid director under the Group defined benefit scheme is £15,840 (2005: £13,340).

6. Finance income and expense

	£000	2006 £000	£000	2005 £000
Group				
Other financial income and similar income				
Return on pension assets	10,818		9,852	
Bank interest	6,684		6,549	
Financial income		17,502		16,401
Financial expenses and similar charges				
Interest on pension obligation		(9,033)		(8,951)
Bank loans and overdrafts		(1,715)		(2,878)
Finance leases		(56)		(55)
Financial expenses		(10,804)		(11,884)
Net financial income		6,698		4,517

7. Profit on disposal of investments

The profit on disposal of investments of £3,599,000 in 2005 represented the profit on disposal of DPA Support Services Limited and Total School Solutions (Stafford) Limited (previously SGE (Holst) Schools Limited). Both DPA Support Services Limited and Total School Solutions (Stafford) Limited were subsidiaries of VINCI (Holdings) Limited. VINCI (Holdings) Limited is a wholly owned subsidiary of VINCI PLC.

Notes to the Accounts (continued)
at 31st December 2006

8. Taxation

Recognised in income statement:		2006 £000	2005 £000
UK corporation tax at 30%	- current year	4,877	5,418
	- prior year	(840)	(2,728)
Current taxation		4,037	2,690
Deferred taxation		5,543	571
Total tax in income statement		9,580	3,261

Reconciliation of effective tax rate	2006 £000	2005 £000
Profit on ordinary activities before taxation	31,941	19,586
Theoretical tax at UK corporation tax rates 30% (2005: 30%)	9,582	5,876
Effects of		
Elimination of net assets on disposal of subsidiaries	-	(692)
Intercompany balances written off	-	(15)
Expenditure not tax deductible	1,194	1,823
Share option tax deductions	-	(60)
Movements on deferred tax not provided	(1)	(3)
Movement in respect of deferred tax in prior periods	190	(322)
Adjustments in respect of prior periods	(840)	(2,728)
Adjustments in respect of capital items	198	(165)
Difference in transfer of asset values	(3)	-
Group relief	(440)	(438)
Income not chargeable to corporation tax	(300)	-
Tax already accounted for in joint ventures	-	(15)
Actual total taxation charge	9,580	3,261

Notes to the Accounts (continued)
at 31st December 2006

9. Acquisitions of subsidiaries

On 17 March 2006, the Group acquired certain contracts and assets of TCL Granby for £1,500,000 satisfied in cash. The company's principal activities are that of measured term contracts and interior fit-outs. In the 9 months to 31 December 2006 the subsidiary contributed net profit of £2,306,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2006, Group revenue would have been increased by £18,876,000 and net profit would have been increased by £2,680,000.

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:			
Intangible assets	-	1,879	1,879
Trade and other receivables	4,796	(999)	3,797
Trade and other payables	(1,095)	-	(1,095)
Net identifiable assets and liabilities	3,701	880	4,581
Goodwill on acquisition			(3,063)
			1,518
Consideration paid (including legal fees and professional fees of £18,000) satisfied in cash			(1,518)
Net cash outflow			(1,518)

The goodwill recognised on acquisition is mainly attributable to the customer list (£927,000) and the brand name (£952,000) acquired.

Notes to the Accounts (continued)
at 31st December 2006

9. Acquisitions of subsidiaries (continued)

On 28 June 2006, the Group acquired certain contracts and assets of the PEL Group for £1,301,049 satisfied in cash. The company's principal activity is that of interior fit-outs. In the 6 months to 31 December 2006 the subsidiary contributed net profit of £Nil to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2006, Group revenue would have been increased by £36,116,000 and net profit would have been increased by £Nil.

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:			
Intangible assets	-	1,951	1,951
Trade and other receivables	7,930	(1,539)	6,391
Trade and other payables	(4,566)	-	(4,566)
Net identifiable assets and liabilities	3,364	412	3,776
Goodwill on acquisition			(2,443)
			1,333
Consideration paid (including legal fees and professional fees of £31,588) satisfied in cash			(1,333)
Net cash outflow			(1,333)

The goodwill recognised on acquisition is mainly attributable to the customer list (£455,000) and the brand name (£1,496,000) acquired.

Notes to the Accounts (continued)
at 31st December 2006

10. Intangible assets

Group	Goodwill	Brand name	Customer List	Total
Cost	£000	£000	£000	£000
At 1st January 2005	5,508	-	-	5,508
Acquisitions	-	-	-	-
Balance at 31st December 2005	5,508	-	-	5,508
Cost				
At 1 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
Impairment losses and amortisation				
At 1st January 2005	728	-	-	728
Impairment charge	2,183	-	-	2,183
Amortisation for the year	55	-	-	55
Balance at 31st December 2005	2,966	-	-	2,966
At 1 January 2006	2,966	-	-	2,966
Impairment charge	-	-	-	-
Amortisation for the year	55	-	150	205
At 31st December 2006	3,021	-	150	3,171
Net book value				
At 31st December 2005	2,542	-	-	2,542
At 31st December 2006	2,487	2,448	1,232	6,167

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.

Notes to the Accounts (continued)
at 31st December 2006

10. Intangible assets (continued)

The acquisitions represent the fair value associated with the intangible assets of two businesses acquired during the year.

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:

	2006 £000	2005 £000
Administrative expenses	205	2,238

Impairment loss

2005
Following the annual impairment test, goodwill of £1,020,000 was written off in relation to the Company's investment in Environmental Analysis Limited and £1,163,000 in relation to its investment in Genflo Technology Limited.

2006
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:-

	2006 £000	2005 £000
Positive goodwill eliminated against reserves	1,400	1,400
Negative goodwill added to reserves	(3,227)	(3,227)
	(1,827)	(1,827)

Notes to the Accounts (continued)
at 31st December 2006

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 2005	16,568	19,031	5,671	8,902	50,172
Additions	48	2,306	447	1,592	4,393
Disposals	(952)	(1,291)	(2,885)	(2,303)	(7,431)
Reclassification	(107)	-	-	107	-
At 31st December 2005	15,557	20,046	3,233	8,298	47,134
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)
Reclassification	-	-	-	-	-
At 31st December 2006	6,172	21,779	3,686	10,080	41,717
Depreciation:					
At 1st January 2005	3,350	11,669	3,111	5,956	24,086
Charged	469	1,903	722	1,378	4,472
Disposals	(136)	(1,220)	(2,135)	(2,216)	(5,707)
Reclassification	(40)	-	-	40	-
At 31st December 2005	3,643	12,352	1,698	5,158	22,851

Notes to the Accounts (continued)
at 31st December 2006

11. Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Motor Vehicles	Computer systems, fixtures and fittings	Total
	£000	£000	£000	£000	£000
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)
Reclassification	-	-	-	-	-
At 31st December 2006	2,693	13,580	1,892	6,161	24,326
Net Book Value :					
At 31st December 2005	11,914	7,694	1,535	3,140	24,283
At 31st December 2006	3,479	8,199	1,794	3,919	17,391

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

	2006	2005
	£000	£000
Net book values:		
Motor vehicles	1,792	1,428
Depreciation provided in year:		
Motor vehicles	364	380

Notes to the Accounts (continued)
at 31st December 2006

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 2005	53	453	3,221	-	3,727
Additions	-	131	773	150	1,054
Disposals	-	(25)	(1,261)	(2,663)	(3,949)
Transfers in	-	-	-	5,129	5,129
At 31st December 2005	53	559	2,733	2,616	5,961
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
Depreciation:					
At 1st January 2005	53	233	2,336	-	2,622
Charged	-	95	535	590	1,220
Disposals	-	(24)	(1,258)	(2,020)	(3,302)
Transfers	-	-	-	2,859	2,859
As at 31 December 2005	53	304	1,613	1,429	3,399
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
Net book value:					
At 31st December 2005	-	255	1,120	1,187	2,562
At 31st December 2006	-	318	2,743	1,036	4,097

Notes to the Accounts (continued)
at 31st December 2006

11. Property, plant and equipment (continued)

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

	2006 £000	2005 £000
Net book values		
Motor vehicles	1,362	1,428
Depreciation provided in the year	267	380

12. Investments

Group

The Group owns 50% of the ordinary shares of Total School Solutions (Sandwell) Holdings Limited. The other 50% is owned by PF Schools (Sandwell) Limited (a subsidiary of Pell Frischmann Group Limited). Total School Solutions (Sandwell) Holdings Limited owns 100% of the ordinary share capital of Total School Solutions (Sandwell) Limited. The investment in Total Schools Solutions (Sandwell) Holdings Limited is presented as held for sale following the decision of the Group's management on 23 December 2006 to sell its 50% interest (see note 16).

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, these have been accounted for using the equity accounted method.

The Group owns 50% of the issued shared 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 is a wholly owned subsidiary of Doncaster School Solutions (Holdings) Limited All these companies were incorporated on 28 November 2006 and did not trade during 2006.

The Group owns 50% of the ordinary shares of VSM Estates Limited. The other 50% is owned by St. Modwen Properties PLC.

On 23rd December 2005, one of the Group's wholly owned subsidiary undertakings VINCI (Holdings) Limited, sold its entire interest in DPA Support Services Limited to V.B. Investments Limited, an investment company (see below). DPA Support Services Limited was a wholly owned subsidiary of VINCI (Holdings) Limited.

One of the Group's wholly owned subsidiary undertakings, Total School Solutions (Stafford) Limited (previously SGE (Holst) Schools Limited) was sold to a third party on 18th November 2005. Total School Solutions (Stafford) Limited owns 50% of the ordinary share capital of Total School Solutions Limited. The other 50% in Total School Solutions Limited is owned by P. F. Schools Limited (a subsidiary of Pell Frischmann Group Limited).

Notes to the Accounts (continued)
at 31st December 2006

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 2005	17	1,267	8	1,292
Additions	-	203	-	203
Disposals	(12)	(552)	(213)	(777)
Profits for the year	-	-	119	119
At 31st December 2005	5	918	(86)	837
Share of net assets				
At 1st January 2006	5	918	(86)	837
Additions	-	-	-	-
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

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
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)	-	-
2005						
Total School Solutions (Sandwell) Limited	19,515	1,742	(6,997)	14,366	2,356	2,472
V.B. Limited	-	300	(350)	-	-	(55)

The above companies are involved in the provision of Private Finance Initiatives (PFI).

Notes to the Accounts (continued)
at 31st December 2006

12. Investments (continued)

Under its PFI joint ventures the Group has commitments of £Nil (2005: £0.3m) 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 company increased its share capital by 1,000 £1 ordinary shares during 2005, bringing its issued share capital at 31 December 2005 to 4,000 £1 ordinary shares. 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
DPA Support Services Limited	100% ordinary shares	23rd December 2005

The Group's share of post-acquisition total recognised profit or loss in the above associates was nil (2005: nil).

Summary financial information on associates - 100 per cent:

	Assets £000	Liabilities £000	Equity £000	Revenues £000	Profit/(loss) £000
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	-	-
2005					
V.B. Investments Limited	5,239	(5,191)	48	-	(2)
WPA Support Services (Holdings) Limited	2,337	(2,336)	1	-	-
H&D Support Services (Holdings) Limited	1	-	1	-	-
Derby School Solutions (Holdings) Limited	1	-	1	-	-

Movement in investments in the associated undertaking are as follows:-

	Shares in associated undertakings £000	Loans to associated undertakings £000	Total £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

Under its associated undertakings, the Group's share of capital commitments is £Nil (2005: £3.1m) that have been contracted for but not provided for in the accounts.

Notes to the Accounts (continued)
at 31st December 2006

12. Investments (continued)

Company

This comprises shares in Group undertakings:	Total £000
Cost:	
At 1st January 2005	113,618
Increase in the year	10
Written off	(950)
At 31st December 2005	112,678
At 1st January 2006	112,678
Transfers in	100
Written off	-
At 31st December 2006	112,778
Provisions for impairment:	
At 1st January 2005	69,819
Increase in the year	1,020
At 31st December 2005	70,839
At 1st January 2006	70,839
Increase in the year	-
At 31st December 2006	70,839
Net book value:	
At 31st December 2005	41,839
At 31st December 2006	41,939

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

Details of the principal subsidiary undertakings appear on page 80.

Notes to the Accounts (continued)
at 31st December 2006

13. Inventories

Group	2006 £000	2005 £000
Development land and properties	205	205
Raw materials and consumables	2,246	1,729
Items for resale	494	779
	2,945	2,713

Inventory to the value of £57m was recognised as expenses in the year (2005:£50m).

14. Trade and other receivables

Group	2006 £000	2005 £000
Trade receivables	71,486	61,064
Amounts recoverable on contracts	58,085	48,557
Due from parent and fellow subsidiary undertakings	4,250	5,949
Other receivables	2,399	2,630
Prepayments and accrued income	5,295	4,761
	141,515	122,961

Company	2006 £000	2005 £000
Trade receivables	229	197
Due from parent and fellow subsidiary undertakings	2,198	5,479
Other receivables	1,255	1,484
Prepayments and accrued income	861	757
	4,543	7,917

Included within trade and other receivables is £3,685,000 (2005: £8,004,000) for the Group and £Nil (2005: £Nil) for the Company expected to be recovered in more than 12 months.

Notes to the Accounts (continued)
at 31st December 2006

15. Cash and cash equivalent/bank overdrafts

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Cash and cash equivalents per balance sheet	141,116	160,846	22,445	43,676
Bank overdrafts	(29,245)	(28,605)	-	-
Cash and cash equivalents per cash flow statements	111,871	132,241	22,445	43,676

16. Assets classified as held for sale

The investment in Total Schools Solutions (Sandwell) Holdings Limited is presented as held for sale following the decision of the Group's management on 23 December 2006 to sell its 50% interest.

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£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 (note 12)	921	-	-	-
Other financial liabilities	(634)	-	-	-
Net assets held for sale	287	-	-	-

Notes to the Accounts (continued)
at 31st December 2006

17. Trade and other payables (current liabilities)

Group	2006 £000	2005 £000
Trade payables	48,321	44,554
Due to parent and fellow subsidiary undertakings	439	6,180
Other payables	3,969	4,255
Accruals	121,901	120,066
Payments on account	42,587	38,991
	217,217	214,046

	2006 £000	2005 £000
Company		
Trade payables	670	987
Due to parent and fellow subsidiary undertakings	11,019	18,002
Other payables	1,587	2,620
Accruals	10,944	10,126
	24,220	31,735

Included within trade and other payables is £6,141,000 (2005: 5,948,000) for the Group and £Nil (2005: £Nil) for the company expected to be payable in more than 12 months.

18. Trade and other payables (non-current liabilities)

Group	2006 £000	2005 £000
Other payables	-	1,000

Notes to the Accounts (continued)
at 31st December 2006

19. 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 24.

	Group 2006 £000	2005 £000	Company 2006 £000	2005 £000
Non-current liabilities				
Finance lease liabilities	696	250	324	250
Current liabilities				
Current portion of finance lease liabilities	269	378	177	378

Finance lease liabilities
Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2006 £000	Interest 2006 £000	Principal 2006 £000	Minimum lease payments 2005 £000	Interest 2005 £000	Principal 2005 £000
Less than one year	309	40	269	402	24	378
Between one and five years	712	16	696	257	7	250
	1,021	56	965	659	31	628

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

Company	Minimum lease payments 2006 £000	Interest 2006 £000	Principal 2006 £000	Minimum lease payments 2005 £000	Interest 2005 £000	Principal 2005 £000
Less than one year	201	24	177	402	24	378
Between one and five years	331	7	324	257	7	250
	532	31	501	659	31	628

20. Other Financial Liabilities

	Group 2006 £000	2005 £000	Company 2006 £000	2005 £000
Non-current				
Derivative classified at fair value	-	634	-	-

Notes to the Accounts (continued)
at 31st December 2006

21. Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets 2006 £000	2005 £000	Liabilities 2006 £000	2005 £000	Net 2006 £000	2005 £000
Property, plant and equipment	-	-	561	235	561	235
Employee benefits	(1,246)	(6,731)	-	-	(1,246)	(6,731)
Other temporary differences	(2,480)	(2,386)	-	-	(2,480)	(2,386)
Share options	(1,416)	(1,116)	-	-	(1,416)	(1,116)
Tax (assets) / liabilities	(5,142)	(10,233)	561	235	(4,581)	(9,998)

The group also has tax losses of £843,000 as at 31st December 2006 (2005: £854,000) 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 £253,000 as at 31st December 2006 (2005: £256,000).

Movement in deferred tax during the year

	1 January 2006 £000	Recognised in income £000	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)

Movement in deferred tax during the prior year

	1 January 2005 £000	Recognised in income £000	Disposals £000	Recognised in equity £000	31 December 2005 £000
Property, plant and equipment	1,777	564	(2,106)	-	235
Employee benefits	(8,457)	1,726	-	-	(6,731)
Other temporary differences	(1,232)	(1,669)	515	-	(2,386)
Share options	(364)	(50)	-	(702)	(1,116)
	(8,276)	571	(1,591)	(702)	(9,998)

Notes to the Accounts (continued)
at 31st December 2006

21. Deferred tax assets and liabilities - Company

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	(203)	(191)	-	-	(203)	(191)
Other temporary differences	(1,837)	(1,799)	-	-	(1,837)	(1,799)
Employee benefits	(1,246)	(6,731)	-	-	(1,246)	(6,731)
Share options	(1,227)	(1,080)	-	-	(1,227)	(1,080)
Tax assets	(4,513)	(9,801)	-	-	(4,513)	(9,801)

Movement in deferred tax during the year

	1 January 2006	Recognised in income	Recognised in equity	31 December 2006
	£000	£000	£000	£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)

Movement in deferred tax during the prior year

	1 January 2005	Recognised in income	Recognised in equity	31 December 2005
	£000	£000	£000	£000
Property, plant and equipment	(158)	(33)	-	(191)
Other temporary differences	(590)	(1,209)	-	(1,799)
Employee benefits	(8,457)	1,726	-	(6,731)
Share options	(364)	(15)	(701)	(1,080)
	(9,569)	469	(701)	(9,801)

Notes to the Accounts (continued)
at 31st December 2006

22. 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 1 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

	2006 £000	2005 £000
Present value of partly funded defined benefit obligations	191,900	190,836
Fair value of plan assets	(189,755)	(163,339)
Net obligations	2,145	27,497
Unrecognised actuarial gains and losses	2,009	(5,059)
Recognised liability for defined benefit obligations	4,154	22,438

Movements in present value of defined benefits obligation

	2006 £000	2005 £000
Group and Company		
At 1 January	190,836	163,980
Current service cost	2,853	3,338
Interest cost	9,033	8,951
Actuarial (gain)/losses	(2,081)	19,488
Benefits paid	(6,361)	(6,091)
Contributions by members	870	1,170
Curtailment	(3,250)	-
At 31 December	191,900	190,836

Notes to the Accounts (continued)
at 31st December 2006

22. Employee Benefits (continued)

Group and Company

Movements in fair value of plan assets

	2006 £000	2005 £000
At 1 January	163,339	132,977
Expected return on plan assets	10,818	9,852
Actuarial gains	4,987	17,432
Contributions by employer	16,102	7,999
Contributions by members	870	1,170
Benefits paid	(6,361)	(6,091)
At 31 December	189,755	163,339

(Credits)/expense recognised in the income statement

	2006 £000	2005 £000
Current service cost	2,853	3,338
Interest on defined benefit pension plan obligation	9,033	8,951
Expected return on defined benefit pension plan assets	(10,818)	(9,852)
Curtailment	(3,250)	-
	(2,182)	2,437

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

	2006 £000	2005 £000
Administrative (income)/expenses	(397)	3,338
Financial income	(1,785)	(901)
	(2,182)	2,437

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

Notes to the Accounts (continued)
at 31st December 2006

22. Employee benefits (continued)

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

	2006 Fair value £000	2005 Fair value £000	2006 Expected return %	2005 Expected return %
Equities	111,675	99,322	7.3%	7.1%
Government debt	33,658	31,144	4.3%	4.1%
Corporate bonds	22,437	20,762	5.1%	4.8%
Property	9,350	5,190	5.8%	5.6%
Other	12,635	6,921	4.5%	4.8%
	189,755	163,339		
Actual return on plan assets	15,804	27,284		

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):

		2006 %	2005 %
Discount rate	- benefit obligations	5.1	4.8
Expected rate of return on plan assets		6.25	6.1
Future salary increases		3.0	3.8
Inflation		3.0	2.8
Future pension increases	- in payment	3.5	3.5
	- in deferment	3.0	2.8

Life expectancy (years)	31.12.06 Male	Female	31.12.05 Male	Female
Member age 65 (current life expectancy)	18.2	21.2	17.7	20.4
Member age 45 (life expectancy at 65)	19.7	22.5	18.5	21.3

Notes to the Accounts (continued)
at 31st December 2006

22. Employee Benefits (continued)

History of Plans

	2006 £000	2005 £000	2004 £000	2003 £000	2002* £000
Present value of defined benefit obligation	191,900	190,836	163,980	150,641	135,344
Fair value of plan asset	(189,755)	(163,339)	(132,977)	(120,491)	(104,080)
Deficit	2,145	27,497	31,003	30,150	31,264

Experience adjustments	2006 £000	%	2005 £000	%	2004 £000	%	2003 £000	%
Experience adjustments on plan liabilities	2,594	1	21,604	11	2,971	2	(39)	-
Experience adjustments on plan assets	4,987	3	17,432	10	5,237	4	9,875	8

* Under FRS17 accounting.

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 £1,465,000 (2005: £1,171,000).

Notes to the Accounts (continued)
at 31st December 2006

22. 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.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2006 (euros)	Number of options 2006	Weighted average exercise price 2005 (euros)	Number of options 2005
Outstanding at the beginning of period	32.93	197,800	29.14	168,600
2006 Rights Issue	-	2,940	-	-
Granted during the period	80.64	58,000	49.40	36,000
Exercised during the period	27.95	(79,836)	26.26	(6,800)
Outstanding at the end of period	49.73	178,904	32.93	197,800

The weighted average share price at the date of exercise of share options exercised during 2006 was 94 euros (2005: 71 euros).

The options outstanding at the year end have an exercise price in the range of 26 euros to 81 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:

	2006 £000	2005 £000
Equity settled share based payment expense	310	168
Total carrying amount of liabilities	707	397

Notes to the Accounts (continued)
at 31st December 2006

22. Employee Benefits (continued)

Share based payments - Company

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 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.

	Weighted average exercise price 2006 (euros)	Number of options 2006	Weighted average exercise price 2005 (euros)	Number of options 2005
Outstanding at the beginning of period	30.14	161,000	29.40	155,000
2006 Rights Issue	-	2,940	-	-
Granted during the period	80.64	2,000	49.40	6,000
Exercised during the period	28.04	(75,836)	-	-
Outstanding at the end of period	32.05	90,104	30.14	161,000

The weighted average share price at the date of exercise of share options exercised during 2006 was 94 euros (2005: 45 euros).

The options outstanding at the year end have an exercise price in the range of 26 euros to 81 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:

	2006 £000	2005 £000
Equity settled share based payment expense	36	51
Total carrying amount of liabilities	316	280

Notes to the Accounts (continued)
at 31st December 2006

22. Employee Benefits (continued)

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.

	2006	2005
Fair value at measurement date (euros)	15.48	11.85
Weighted average share price (euros)	49.73	32.93
Exercise price (euros)	80.64	48.39
Expected volatility	24.19%	23.55%
Option life (years)	6	7
Expected dividend yield	2.75%	3.52%
Risk-free interest rate (based on government bonds)	3.68%	3.17%

During 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 fomula. The model inputs were the share price of 71.70 euros, the exercise price of 64.51 euros, expected volatility of 24.72%, expected dividends of 2.75%, a term of 5 years and a five month risk free rate of 3.03%.

Notes to the Accounts (continued)
at 31st December 2006

23. Reconciliation of movement in capital and reserves

	Share capital £000	Capital redemption reserve £000	Cashflow hedging reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
Group						
At 1st January 2005	18,956	300	(2,191)	229	16,007	33,301
Total recognised income and expense	-	-	(444)	-	17,027	16,583
Realisation of cashflow hedging reserves	-	-	2,001	-	(2,001)	-
Equity settled transactions	-	-	-	168	-	168
At 31st December 2005	18,956	300	(634)	397	31,033	50,052
At 1st January 2006	18,956	300	(634)	397	31,033	50,052
Total recognised income and expense	-	-	-	-	23,580	23,580
Realisation of cashflow hedging reserve	-	-	634	-	(634)	-
Equity settled transactions	-	-	-	580	-	580
Dividends	-	-	-	-	(19,000)	(19,000)
At 31st December 2006	18,956	300	-	977	34,979	55,212

	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
Company					
At 1st January 2005	18,956	300	10,886	10,792	40,934
Total recognised income and expense	-	-	-	5,046	5,046
Equity settled transactions	-	-	51	-	51
At 31st December 2005	18,956	300	10,937	15,838	46,031
At 1st January 2006	18,956	300	10,937	15,838	46,031
Total recognised income and expense	-	-	-	15,088	15,088
Equity settled transactions	-	-	306	-	306
Dividends	-	-	-	(19,000)	(19,000)
At 31st December 2006	18,956	300	11,243	11,926	42,425

Notes to the Accounts (continued)
at 31st December 2006

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

Share capital

At 31st December 2006, the authorised, allotted, called up and fully paid share capital comprised 18,956,000 £1 ordinary shares (2005:18,956,000).

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 reserve

The other reserve consists of;
(i) A capital contribution towards share options under IFRS2
(ii) A non-distributable reserve of £10,657,000 (2005: £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.

24. 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 2006 the Group had interest rate swaps with a notional contract amount of £nil (2005: £7.3m). The swap at 31st December 2005 was on the bank loan on a jointly controlled entity, Total School Solutions (Sandwell) Limited.

The Group classifies interest rate swaps as cashflow hedges and states them at fair value. The net fair value of swaps at 31st December 2006 was £nil (2005: £634,000).

25. Capital commitments

Capital expenditure	2006 £000	2005 £000
Contracted for but not provided in the accounts	-	-

Notes to the Accounts (continued)
at 31st December 2006

26. Operating leases

Non-cancellable operating lease rentals are payable as follows;

	Group 2006 £000	2005 £000	Company 2006 £000	2005 £000
- within 1 year	5,375	4,363	2,399	1,287
- between 2 and 5 years	9,624	7,247	6,261	3,033
- over 5 years	17,358	5,713	17,345	5,713
	32,357	17,323	26,005	10,033

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

27. 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 2006, the net Group borrowings were £nil (2005: £nil).

28. Related party transactions

Group

Identity of related parties
The Group has a related party relationship with its subsidiaries (see page 80) 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
During the year ended 31st December 2006, associates purchased services from the Group in the amount of £17.1m (2005: £41.2m) and at 31st December 2006 associates owed the Group £5.1m (2005: £4.4m). Transactions with associates are priced on an arm's length basis. No dividends were received from associates in 2006 or in 2005.

Companies under common control

During the year fellow subsidiaries of the ultimate parent company, VINCI SA purchased services from the Group in the amount of £2.8m (2005: £2.8m). The Parent Company, VINCI Construction charged the Group £2.3m (2005: £2.0m) in royalties.

At 31st December 2006 fellow subsidiaries owed the Group £4.3m (2005: £5.9m) and the Group owed £2.7m (2005: £6.1m) to fellow subsidiaries.

Notes to the Accounts (continued)
at 31st December 2006

28. Related party transactions (continued)

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 2006, the company recharged £12.9m (2005: £11.7m) in management fees and expenses to its subsidiaries. The company also paid £1.5m (2005: £2.2m) in services purchased from subsidiaries and £2.3m (2005: £2.0m) in royalties paid to its parent company.

At 31st December 2006 the company was owed £2.2m (2005: £5.5m) by related parties and owed £13.3m (2005: £18.0m) to related parties.

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

29. Subsequent event

On 23 February 2007, VINCI PLC completed the sale of the mechanical and electrical contracting division of Rosser & Russell Building Services Limited to EMCOR Group (UK) PLC with net proceeds of £250,000.

On 26 February 2007, Rosser & Russell Building Services Limited changed its name to Rosser & Russell Maintenance Limited, to reflect its new main activity of maintenance services.

30. Ultimate parent undertaking

At 31st December 2006 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.

31. Prior year adjustment

Following a review of the accounting for assets constructed under PFI contracts, the Group reclassified assets previously held as fixed assets to be shown as finance receivables in the 2005 accounts. The assets concerned were held in the balance sheet at 31st December 2004, but had been disposed of by the Group at 31st December 2005. This adjustment therefore did not have an impact on net assets or the result for the year ended 31st December 2005.

The prior year adjustment amounted to a reclassification of £16,272,000 in respect of assets held at 31st December 2004 and the comparative figures were restated accordingly. This has not led to an adjustment to reserves.

Principal Subsidiary Undertakings

Construction

Norwest Holst Limited
*Crispin & Borst Limited
*Pel Interiors Limited
*John Jones (Excavation) Limited
*Simplex Foundations Limited

Engineering and Support Services

Rosser & Russell Maintenance Limited (previously Rosser & Russell Building Services Limited)
McGill Services Limited

Manufacturing

Conren Limited

PFI

VINCI (Holdings) Limited
VINCI Investments Limited
** Total School Solutions (Sandwell) 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.

Principal Offices

Head Office

VINCI PLC
Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW
T: 01923 233433
F: 01923 256481

Norwest Holst Limited

Building Division
Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW
T: 01923 233433
F: 01923 212607

Regional Offices in:
Birmingham, Bristol, Derby, Warrington & Winchester

Civil Engineering Division
Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW
T: 01923 233433
F: 01923 470297

Regional Offices in:
Birmingham, Bristol, Cardiff, Derby & Salford

Soil Engineering Division
Parkside Lane
Dewsbury Road
Leeds
LS11 5SX
T: 0113 271 1111
F: 0113 276 0472

Southern Regional Office
Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW
T: 01923 204040
F: 01923 204069

Scottish Regional Office
Unit 4, Firth Road
Houstoun Industrial Estate
Livingston
West Lothian
EH54 5DJ
T: 0150 643 4300
F: 0150 644 2593

Environmental Division
Southwood House
Greenwood Office Park
Goodiers Drive
Salford
M5 4QH
T: 0161 772 1400
F: 0161 772 1401

Engineering Services Division
VINCI House
Macklin Avenue
Cowpen Lane Industrial Estate
Billingham
TS23 4HF
T: 01642 379400
F: 01642 379429

ECōS Environmental Limited
Low Moor Business Park
Common Road
Bradford
BD12 0NB
T: 01274 691122
F: 01274 608100

Simplex Foundations Limited
Pyebridge Industrial Estate
Main Road
Pyebridge
Derbyshire
DE55 4NX
T: 01773 606006
F: 01773 606106

Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW
T: 01923 470180
F: 01923 254849

John Jones (Excavation) Limited
Norjon House
Newby Road
Hazel Grove
Stockport
Cheshire
SK7 5DU
T: 0161 483 9316
F: 0161 483 8006

McGill Services Limited
VINCI House
Macklin Avenue
Cowpen Lane Industrial Estate
Billingham
TS23 4HF
T: 01642 379400
F: 01642 379429

Crispin & Borst Limited

Building & Facilities
Stuart House
Manor Way
Rainham
Essex
RM13 8RH
T: 01708 634650
F: 01708 634790

Construction - Thames Valley
Apollo House
Mercury Park
Wooburn Green
High Wycombe
Buckinghamshire
HP10 0HH
T: 01628 554955
F: 01628 533190

Construction - London
1 White Oak Square
Pioneer Way
Swanley
Kent
BR8 7AG
T: 01322 661600
F: 01322 663255

Construction - Southeast
Knightrider House
Knightrider Street
Maidstone
Kent
ME15 6LU
T: 01622 686876
F: 01622 686896

Crispinteriors
361-373 City Road
London
EC1V 4LR
T: 020 7843 9200
F: 020 7833 5910

TCL Granby
Kingswood House
31-39 Miles Road
Mitcham
Surrey
CR4 3DA
T: 020 8646 1122
F: 020 8640 2948

Rosser & Russell Maintenance Limited
Stuart House
Manor Way
Rainham
Essex
RM13 8RH
T: 01708 634650
F: 01708 634790

Support Services Division
Stuart House
Manor Way
Rainham
Essex
RM13 8RH
T: 01708 634650
F: 01708 634790

PEL Interiors Limited

6230 Bishops Court
Birmingham Business Park
Birmingham
B37 7YB

T: 0121 788 7000
F: 0121 788 7001

VINCI Investments Limited

Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW
T: 01923 233433
F: 01923 800079

VINCI Project Development Limited

Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW
T: 01923 233433
F: 01923 800079

Conren Limited

Redwither Road
Wrexham Industrial Estate
Wrexham
LL13 9RD
T: 01978 661991
F: 01978 661120

VINCI PLC
Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW

T: 01923 233433
F: 01923 256481

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