Taylor Wimpey plc

Annual Report and Accounts 2008

TaylorWimpey plc

Taylor Wimpey plc is a focused homebuilding company with operations in the UK, North America, Spain and Gibraltar. We aim to be the homebuilder of choice for customers, employees, shareholders and communities.

Our 2008 Performance

Financial summary

	2008	2007
Revenue – continuing (£m)	**3,467.7**	4,142.8
Operating profit* – continuing (£m)	**88.7**	439.2
Pre-tax (loss)/profit** – continuing (£m)	**(74.7)**	346.1
Exceptional items (£m)	**(1,895.0)**	(379.7)
Loss for the year – total Group (£m)	**(1,840.0)**	(196.7)
Adjusted (loss)/earnings per share – continuing (p)	**(9.4)**	29.5
Loss per share – total Group (p)	**(174.8)**	(24.2)
Tangible net assets per share (p)	**158**	274
Year end net debt (£m)	**1,529.3**	1,415.4

* Profit on ordinary activities before finance costs, exceptional items, brand amortisation and tax.

** (Loss)/profit on ordinary activities before exceptional items and tax.

Contents

More on-line

www.taylorwimpey.com
Our Web site contains a wide variety of additional information about the Group, along with links to our sites for home buyers.

For more information about our recent debt refinancing please see pages 30 and 31.

Focused on the future

We have taken some tough decisions over the course of 2008 in the face of an unprecedented global economic backdrop. We have streamlined our operations in both the UK and North America, exited our construction business and put in place a firm financial base by negotiating a revised three-year financing and covenant package.

During these challenging market conditions we remain focused on protecting and strengthening the business for the long term.

We expect 2009 to be another challenging year for the housebuilding industry, but believe that Taylor Wimpey is well positioned to take advantage of improved market conditions in the future.

Norman Askew
Chairman
April 2009

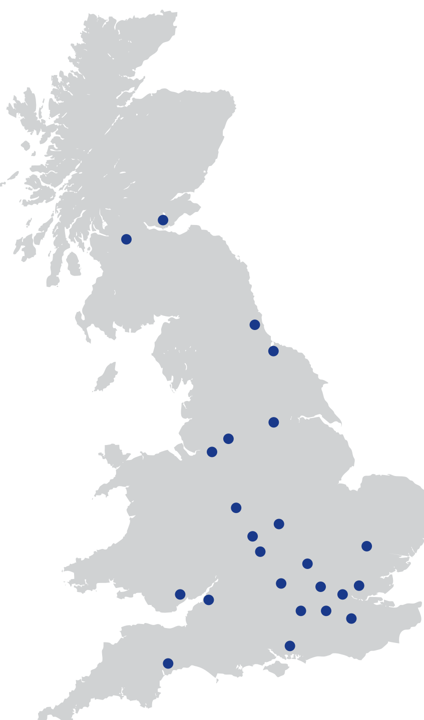
Pete Redfern
Group Chief Executive
April 2009

A focused homebuilder

UK Housing

Taylor Wimpey is one of the largest homebuilders in the UK with national coverage from 23 regional offices and TW City specialist projects.



● Regional office

George Wimpey

Bryant Homes

Overview

We build a wide range of homes in the UK, from one bed apartments to five bedroom houses, with prices ranging from below £100,000 to above £500,000.

We also build affordable housing across the UK, which represented 21% of our 2008 completions.

We operate two core brands in the UK, Bryant Homes and George Wimpey.

During the current market weakness we are focused on pricing competitively in each local market, cash management and cost control.

For more information see pages 14 to 19.

Completions	Average outlets	Average selling price
13,394	455	£171k

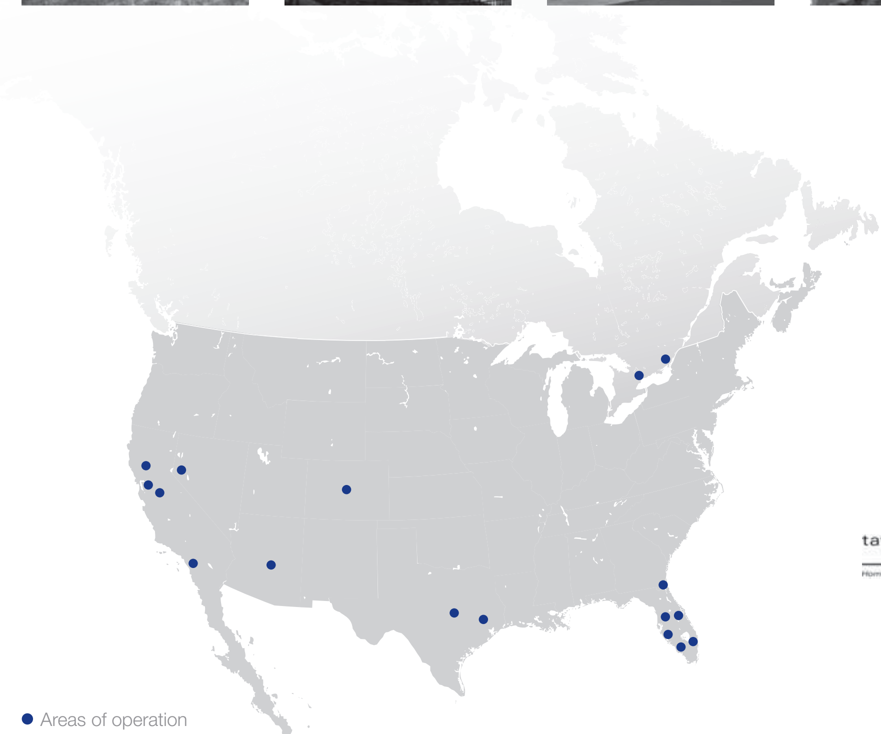
More on-line

www.taylorwimpey.com
Our Web site contains a wide variety of additional information about the Group.

North America Housing

Taylor Wimpey is a top 10 homebuilder in the United States and also operates in Ontario, Canada.



● Areas of operation

taylor morrison
Homes inspired by You

Taylor Woodrow Communities

Monarch

Overview

Our homes in North America range from high-rise apartments in Toronto to full service country club homes in Florida and from entry level to luxury homes.

Average selling prices range by geography from £122,000 in Arizona to £223,000 in California.

In the United States we sell homes under the Taylor Morrison brand. We also have a land development business which sells lots to other homebuilders using the Taylor Woodrow Communities brand.

Our business in Canada trades under the Monarch brand.

For more information see pages 20 to 23.

Completions	Average outlets	Average selling price
5,421	234	£175k

Spain & Gibraltar

Taylor Wimpey operates in three regions in Spain and also in Gibraltar.


● Regional office

Taylor Woodrow

Overview

Our business in Spain is primarily focused on developing sites in popular locations.

We announced during 2008 that we are planning to exit our Gibraltar business, which operates in the luxury apartment market.

Our operations in both Spain and Gibraltar are branded Taylor Woodrow.

For more information see page 24.

Completions	Average selling price
214	£270k

Norman Askew
Chairman

A year of unprecedented challenges

2008 has been an exceptionally difficult year for all housebuilders, including Taylor Wimpey. After a subdued start to the year in the UK housing market, the industry experienced a sharp decline in customer reservations from April, a month which normally delivers a strong sales performance. Restricted mortgage availability made it difficult for customers to finance their homes, particularly first time buyers and investors. As the year progressed, the turmoil in the global financial markets had a detrimental impact on customer confidence, meaning that many potential customers who could obtain finance chose to delay their house purchase.

In North America, where we saw some signs of stabilisation in the first half of 2008 after the market weakness of 2006 and 2007, the uncertainty in the wider economy had a detrimental effect in the second half. The housing market in Spain remains weak and the strengthening of the Euro against the pound over the course of the year has further reduced demand from UK purchasers for second homes in Spain.

2008 performance

The difficult operating environment is clearly reflected in the results for the year. Taylor Wimpey's continuing operations have generated a loss before exceptional items and tax of £74.7 million (2007 profit: £346.1 million). Exceptional items for the year total £1,895.0 million (2007: £379.7 million) and primarily relate to reviews of the carrying value of our land and work in progress, as well as writing off the value of our goodwill and intangible assets. As a result, Taylor Wimpey reported a loss before tax from continuing operations of £1,969.7 million (2007 loss: £33.6 million).

Review of capital requirements

During the early stages of the sharp downturn in the UK housing market, we identified a risk that the Company would breach its interest cover covenants when they came to be tested for the full year 2008. We took appropriate action at an operational level and, following a period of prolonged and complex negotiations with our debt providers, we announced the agreement of a revised set of covenants on 7 April 2009.

We recognise that there was considerable uncertainty regarding the Company's prospects during 2008 and the early months of 2009. However, with a solid financial platform now secured, we are focused on delivering value for shareholders over the medium term.

Sale of Taylor Wimpey's construction business
We have exited our construction activities in line with the strategy of focusing on our core homebuilding operations. We completed the sale of the UK business of Taylor Woodrow Construction on 9 September 2008 and the sale of our construction businesses in Ghana on 21 April 2009.

Dividends
The Board did not feel it appropriate to propose an interim dividend as a result of the deterioration in market conditions. Given that conditions in both our major markets remain weak, we are not proposing a final dividend for 2008 (2007 total dividend: 15.75 pence). We will review our dividend policy in the light of prevailing market conditions in the future, once dividend payments become permissible under our revised financing arrangements.

Corporate governance
As external events have shown, strong corporate governance is, if anything, even more essential in challenging market conditions. A full report on our corporate governance activities can be found on pages 34 to 52.

Board changes
Ian Sutcliffe resigned from the Board on 14 April 2008 and Peter Johnson stood down from the Board with effect from 16 October 2008. On behalf of the Board I would like to record my thanks to Ian and Peter for their contributions to Taylor Wimpey and particularly to the success of the merger and subsequent integration.

Pete Redfern has assumed full management responsibility for the UK Housing division and we will review this arrangement once we see a stabilisation of market conditions. We were delighted to appoint Chris Rickard as Group Finance Director on 16 October 2008. Chris has significant experience as a Finance Director of public companies and I would like to take this opportunity to formally welcome him to the Board.

Our people
The deterioration in market conditions during 2008 has led to a significant restructuring of our UK business, along with further cost reduction initiatives in our North American and Spanish businesses. The Board is grateful for the dedication and professionalism that our employees have displayed through this difficult year.

Corporate responsibility management
Details of our approach to corporate responsibility can be found on pages 25 and 26, as well as in our Corporate Responsibility Report, which is available on our Web site at: www.taylorwimpey.com/CRreports.

Shareholder information
Full details of the facilities available to shareholders can be found on page 108 of this Annual Report and Accounts and at www.taylorwimpey.com.

Norman Askew
Chairman

Electronic communications
2008 is the first year that Taylor Wimpey has issued an electronic Annual Report to those shareholders who have not requested a paper version. This has three key benefits:

- A significant reduction in printing and postage costs, without reducing the level of information available;
- Faster access to information; and
- Reducing the amount of resources consumed, such as paper, and lessening the impact of printing and mailing activities on the environment.

The Company also encourages shareholders to elect to receive notification of the availability of Company documentation by means of an e-mail. Shareholders can sign up for this facility by logging onto our Web site at www.taylorwimpey.com.

View the report on-line
www.taylorwimpey.com/reportaccounts

Pete Redfern
Group Chief Executive

Taking tough decisions to deliver future benefits

Following the merger in July 2007, Taylor Wimpey entered 2008 having made excellent progress on integrating the two legacy businesses in both the UK and North America. The strength of our business has been severely tested by the downturn in the UK housing market and the exceptional events in the global economy over the last 12 months.

Adjusting to adverse market conditions

We have taken difficult decisions during the year to ensure that our businesses are well placed to face the challenges of current market conditions. Relentless cash management and cost control have been key priorities across the whole Group. In North America, where the market had been weak throughout 2006 and 2007, build costs and overhead costs remain under constant review. In the UK, we suspended new land purchase commitments in late 2007. When UK housing sales volumes fell dramatically in April 2008, we reacted quickly, restructuring our UK operations, adjusting our pricing and incentives to deliver competitive offers in each local market, limiting new site openings and levels of work in progress, and targeting additional build cost reductions.

Although the different markets that we operate in experienced the impact of the worldwide economic downturn at different times, we now have a consistent operating strategy across all of our businesses. Our employees recognise the need to take tough and appropriate measures in order to protect our business and have been kept fully informed through consultation processes and our internal communications.

Moving forward

With the amendment to our debt facilities now complete, the Group can focus fully on delivering value over the medium term, and the opportunities that the current downturn and future recovery will provide.

In the UK, there was a structural undersupply of new housing even before the reduction in volumes in 2007 and 2008. Latest forecasts indicate average household formations of 252,000 per annum for England alone. This compares against 200,697 new homes built in the UK in 2007 and 106,894 in 2008 (source: National House-Building Council). As homebuilders across the UK continue to delay new site starts and scale back their operations, we expect this figure to fall further in 2009. The underlying demand for new housing remains strong, but many of those looking to buy homes remain unable to obtain an appropriate mortgage or choose to delay their purchase due to the uncertain economic environment. When mortgage availability increases and consumer confidence returns, we will see an even greater imbalance between demand and supply, creating the potential for a significant recovery in house prices in the future.

In North America, the housing market downturn has been ongoing in some markets since the fourth quarter of 2005. The slowdown, which originated as a result of oversupply has been exacerbated by the 'credit crunch' and is now being prolonged by the increased number of repossessions and the wider economic uncertainty. In many areas the market has overcorrected, falling well below both long term price and volume levels. The first signs of industry consolidation have appeared in recent weeks, suggesting that the market may be close to stabilising.

The overriding priority for the business is to build on our strong base to take advantage of the opportunities that stabilisation and future upturns in our markets will provide.

Our strategy

Vision and goal

Taylor Wimpey plc is a focused homebuilding company with operations in the UK, North America, Spain and Gibraltar. We aim to be the homebuilder of choice for customers, employees, shareholders and communities.

Our strategies in our two largest markets are:

UK

- Goal is to be the leading homebuilder in the UK

Short term priorities

- Maintain sales momentum
- Reduce build costs
- Tight control of work in progress
- Deliver value from our existing landbank
- Reduce overheads, whilst maintaining national coverage

Long term objectives

- Volume growth from increased outlets as the market recovers

North America

- Goal is to be the homebuilder of choice in each of our markets

Short term priorities

- Drive sensible sales rates for each site
- Deliver additional build cost and overhead savings
- Continue to reduce investment in land and work in progress spend where appropriate
- Grow market share in our key markets

Long term objectives

- Take advantage of land acquisition opportunities as they arise

> **Taylor Wimpey can face the challenges that 2009 will inevitably bring with significant confidence.**

We have strong landbanks in both the UK and North America, which have enabled us to conserve cash in the current market conditions. We are starting to see some attractive opportunities to purchase good quality land emerging in the US, but we remain cautious at this stage. There will, however, come a point at which it is right to invest in land in order to support future growth and we will position the business to take advantage of such opportunities.

In the slower conditions, we have had the opportunity to squeeze additional value from our landbank. We are able to improve both the saleability and returns from our products through a combination of replans, renegotiation of existing planning commitments and redesign of product types. In the UK we have launched a new product range across the business that builds on the strongest housetypes of both legacy groups and adds increased flexibility at reduced costs.

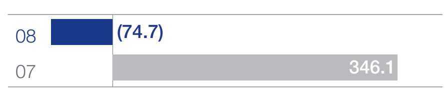
Review of capital requirements

As you will recall, the merger completed on 3 July 2007 and was effected as a nil premium, all share transaction. As such, no additional debt was taken on to complete the transaction and our facilities were renegotiated at that point, meaning that no significant repayment was scheduled to fall due until 2012. At 31 December 2007, we had committed funding of £2.7 billion compared to a total net debt of £1,415 million, of which £591 million related to bank borrowings, £443 million to private placement notes and £381 million to publicly traded Eurobonds.

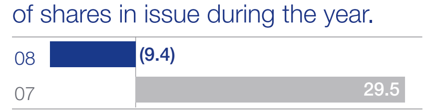
Our Group key performance indicators (KPIs)

Given the significant changes in our operating environment during the course of 2008, our focus has been on the short term performance of the business. As such, our performance against our KPIs for the year is weak.

	(Loss)/profit before tax	(Loss)/earnings per share
Objective	We strive to achieve the highest level of profit before tax in the housebuilding sector.	We seek to provide continuous growth in earnings per share.
Definition	Profit on ordinary activities from continuing operations, excluding exceptional items and before charging tax.	The basic earnings per share from continuing operations based upon the profit attributable to ordinary shareholders before exceptional items divided by the average number of shares in issue during the year.



£(74.7)m
for 2008
(£346.1m profit for 2007)



(9.4)p
for 2008
(29.5p earnings for 2007)

As the UK housing market deteriorated sharply in the second quarter of 2008, it became clear that in the absence of a market recovery there was a risk of breaching the interest cover covenants which were contained in both our bank debt and the private placement notes. Having reviewed the options available to us with our advisers, we decided to approach the banks to seek a revision to the covenant package to reflect the challenging market conditions. We indicated to the banks that we intended to raise additional equity on the stock market and the banks indicated their intention to amend the covenant package, subject to a successful equity raise.

Due to the difficulties being experienced by companies attempting to raise equity through traditional rights issues in the early summer of 2008, we proposed to use a structure known as private placing with clawback. This involved initial discussions with a number of large existing shareholders and potential new investors on a confidential basis to establish their level of support for the equity raise. The intention was to obtain sufficient support to underwrite the full level of the proposed equity raise from these investors prior to making the transaction public. Existing shareholders would then have been entitled to subscribe for new shares in proportion to their existing holdings, reducing the number of shares available to the underwriting investors. Unfortunately, we were not able to obtain sufficient support due to the uncertain nature of both the UK housing market and the stock markets.

We therefore commenced negotiations with our banks and private placement holders with a view to agreeing a revised covenant package on the basis of no new equity being raised. These talks have been lengthy and complicated, requiring significant resource from the Company's perspective to provide financial due diligence to our debt providers.

We believe that these KPIs remain the most appropriate indicators of business performance in the long term, but are less relevant in the current environment. As such, we will amend our suite of KPIs in next year's Annual Report.

Return on average capital employed

We aim to deliver a return on capital employed above the level of our cost of funding.

Profit on ordinary activities before finance costs, exceptional items and amortisation of brands divided by the average of opening and closing capital employed (excluding goodwill and brands).

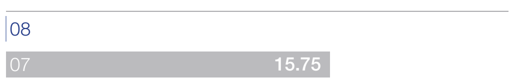
2.6%

for 2008
(14.8% for 2007)

Dividend per share

We aim to deliver an attractive progressive dividend.

The sum of the interim dividend per share and the final proposed dividend per share for the year.



nil

for 2008
(15.75p for 2007)

Average number of employees

We endeavour to attract and retain the highest calibre of employees and strive to be a company that people want to work for.

The average number of people employed across the Group during the year.

8,069

for 2008
(9,727 for 2007)

Construction

Performance
The UK Construction business was sold on 9 September 2008 to VINCI PLC, generating a profit on disposal of £55.6 million. The discontinued operations generated a loss for the year, before exceptional items, of £2.5 million (2007 profit: £10.3 million).

Ghanaian operations
Given the small scale of the Ghanaian construction operations in relation to the Group as a whole they are reported as part of the Corporate segment for this accounting period.

As the talks progressed, it became clear that the conditions in the UK housing market were continuing to weaken. As a result, there was an increasing risk of additional land write downs, which might have led to a breach of covenants within the Eurobonds. We therefore took the decision to bring the holders of these bonds into the discussions. Whilst extending the discussions to include the Eurobond holders prolonged the negotiations, it was necessary to do so in order to meet our objective of securing a comprehensive financing structure that is robust against various scenarios.

As announced on 7 April 2009, these discussions have now concluded and we have reached agreement on a revised set of covenants to allow the Company to trade through the current downturn. As you would expect, this agreement comes at the cost of an increased interest charge and an arrangement fee for our debt providers. Whilst the revised financing deal does not require the Group to raise new equity capital, it does allow for the terms to be adjusted to the Group's advantage in such circumstances. Chris Rickard provides more detail on these costs, along with the revised covenant terms, in his Group Financial Review on pages 30 and 31.

I am delighted that these discussions are now behind us and that we have established a firm financial base for the Company to weather the downturn and plan for the opportunities that will come with a return to more normal market conditions.

Construction activities
We have completed our exit from Construction and are now a focused homebuilder. We announced on 9 September 2008 that we had sold the UK business of our Construction operation to VINCI PLC for £74 million in cash. This transaction generated a profit on disposal of £55.6 million.

As previously announced, we completed our exit from construction activities with the sale of our construction businesses in Ghana on 21 April 2009.

People
During 2008, conditions have impacted heavily on our employees, both through the redundancy programmes that we have undertaken, and through the additional challenges of working in such difficult market conditions.

The Board acknowledges the way in which employees have reacted to these challenges and would like to take this opportunity to thank all staff for their commitment and hard work. We move forward with high calibre teams in all of our businesses, who are focused on the Group's objectives.

Corporate responsibility
Corporate responsibility is an integral part of corporate governance. We remain committed to being a responsible company and to playing our part in building increasingly sustainable homes and communities. We also believe that a positive approach to corporate responsibility makes sound commercial sense.

Further information on our progress during 2008 is contained on pages 25 to 27 and within our Corporate Responsibility Report, which is available on-line at www.taylorwimpey.com/CRreports.

Outlook

Taylor Wimpey can face the challenges that 2009 will inevitably bring with significant confidence. As we trade through these difficult conditions, we are positioning the business to be ready to take advantage of the opportunities that an upturn will provide.

Trading in the UK has been encouraging during the first few months of 2009, with the underlying pick up in demand coming from all major customer groups and geographies. The industry has controlled stock well, reducing the risk of a repeat of the extreme price competition that was experienced in the last major UK housing downturn (and in the US recently).

However, we remain cautious about the prospects for a significant short term recovery in the UK housing market. Whilst we welcome the recent reductions in interest rates, the availability of mortgage finance remains restricted and, together with increasing economic uncertainty, continues to have a detrimental impact on consumer confidence. We believe that the prospects for the UK housing market in the medium and long term are very good, with the current market exacerbating an existing shortage of supply. Given the level of reduction in capacity and investment in the industry over the last 12 months, we anticipate that this situation will continue for some time.

In North America, housing market conditions have been more stable in recent weeks, however the state of the US economy as a whole remains a significant concern. With the impact of Government stimulus now being felt, there are tentative signs of improving conditions. The scale of the market correction has been dramatic, and has resulted in many markets falling well below long term norms. As general economic conditions stabilise, there is the potential that some of these losses will reverse quickly.

The steps that we have taken to restructure our debt finance and position our business for the challenges of current market conditions have enhanced the opportunity to deliver value for shareholders in the medium term.

Pete Redfern
Group Chief Executive

> **We are positioning the business to be ready to take advantage of the opportunities that an upturn will provide.**

Our principal risks and uncertainties

As with any business, Taylor Wimpey faces a number of risks and uncertainties in the course of its day to day operations. By effectively identifying and managing these risks, we are able to improve our returns, thereby adding value for shareholders.

The largest single risk faced by the Company during 2008 was a potential breach of its financial covenants as a result of the downturn in our operating environment. A revised set of financial and operational covenants has now been agreed with our lenders (see pages 30 and 31) and whilst we still have to comply with these covenants, the risk of breach is significantly reduced. As a result, the table below focuses on the ongoing operational issues facing the Company.

	Economic and market environment	Land purchasing	Availability of sub-contractors
Description of risk	Demand is heavily dependent on consumer confidence in the wider economy, which is influenced by factors such as unemployment levels, availability of credit and interest rates, which are outside of the Group's control.	Land is the major 'raw material' for the Group and, as such, mis-priced or poor quality land would have a detrimental effect on our profitability.	The vast majority of work carried out on site is performed by sub-contractors. If they are not able to recruit sufficient numbers of skilled employees, our developments may suffer from delays or quality issues.
Impact	2008 saw unprecedented global economic conditions, with a significant reduction in both credit availability and consumer confidence. As such the level of demand for new housing was significantly reduced, impacting both profitability and cash generation.	Whilst we remain cautious regarding land purchases in both the UK and North America in the current market conditions, attractive opportunities are starting to emerge. Correctly timing new investment in land will enhance the Group's ability to deliver strong profit growth as housing markets recover.	The difficult operating environment during 2008 has resulted in the failure of some sub-contractors' businesses. In addition, reduced levels of homebuilding have led to some skilled tradesmen leaving the industry to take jobs in other sectors.
Mitigation	We use the detailed knowledge of our local teams to select the locations and home designs that best meet existing customer demand. We continue to evaluate our site opening programme on the basis of local market conditions. We minimise the level of speculative build that we undertake by opening a sales outlet at an early stage of development, and then matching build to actual sales.	We operate an investment appraisal process for significant land purchases, which ensures that such projects are subject to appropriate review and authorisation dependent on the proposed scale of expenditure.	We vet all suppliers thoroughly prior to working with them to ensure that they meet our requirements for environmental impact, health and safety, quality and financial stability. We also play our part in addressing the skills shortage in the building industry through apprenticeship schemes and membership of the Construction Industry Training Board.

Site safety

Building sites are inherently dangerous places and our management of health and safety issues is of paramount importance to us.

We want all of our people – whether employee or sub-contractor – to go home at the end of the day safe and healthy.

We have a comprehensive HSE management system, supported by policies and procedures to ensure that we live up to our intention of providing a safe and healthy working environment. A detailed description of the measures introduced in 2008 is available on pages 27 to 31 of our Corporate Responsibility Report.

Construction and cost management

Construction work can be subject to delays and additional cost for a variety of reasons. These include adverse ground conditions, changes to the original design once build has commenced and adverse weather conditions.

Reductions in house prices in both the UK and North America as a result of market weakness during 2008 mean that cost management is an even greater focus for our business.

We monitor both cost and risk closely throughout the life of a project from initial viability assessment to post completion review. This is achieved through the use of detailed risk registers and regular site valuations, which are reviewed and approved at the appropriate level.

Government regulations

Obtaining permission to build homes is dependent on our ability to meet a wide variety of requirements in areas such as design, sustainability and product mix.

Inability to obtain suitable consents could impact on the number of homes that we are able to build or the profitability of a site. During 2008, we undertook a detailed analysis of the implications for our UK business of the Code for Sustainable Homes and upcoming changes to building regulations. Further information is available within our Corporate Responsibility Report and on our Web site.

We consult with the UK Government on upcoming legislation, both directly and as a member of industry groups, to highlight potential issues. At a local level our land specialists work closely with the relevant planning authorities and structure land purchase agreements to mitigate such risk.

Pete Redfern
Group Chief Executive

We have acted swiftly and decisively at an operational level

UK key performance indicators	2008
Operating margin*	2.2%
Order book as a percentage of 2008 revenue	23.5%
Average outlet numbers	455
Private sales rate (per outlet per week)	0.40
Customer satisfaction	79.4%
Health and safety injury frequency rate (per 100,000 hours worked)	0.296

UK strategy

- Goal is to be the leading homebuilder in the UK
- Current priority is cash management and cost reduction, followed by volume growth from increasing outlet numbers as the market recovers

Adapting to market conditions

- Maintain sales momentum
- Reduce build costs
- Tight control of work in progress
- Deliver value from our existing landbank
- Reduce overheads, whilst maintaining national coverage

UK housing market

After a subdued first quarter, the UK market saw a sharp decline in April and continued to be weak throughout the remainder of the year. This slowdown has been driven by an intensification of three key factors which were becoming apparent in the later stages of 2007:

- Availability of credit and lender restrictions;
- Adverse media coverage of the housing market;
- Loss of consumer confidence; and
- Increasingly cautious mortgage valuations on properties.

According to the Bank of England, the total value of loans approved for house purchases during 2008 was £69,655 million. This represents a fall of 61.7% against the 2007 figure of £181,822 million. Whilst interest rates fell sharply over the course of 2008, from 5.50% at the start of the year to 2.00% in December, the number of applicants able to qualify for new loans was restricted by requirements for higher levels of deposits and also increasingly cautious mortgage valuations on properties.

National house price indices have reflected these deteriorating market conditions with sharp declines over the course of 2008. The Nationwide House Price Index shows a fall of 15.9% over the year to an average house price of £153,048, with the Halifax House Price Index recording a fall of 18.9% to an average house price of £159,896.

The UK Government recognises the importance of the housebuilding industry to the wider UK economy and has launched a number of initiatives during 2008 to try to support housebuilding volumes in the face of the current downturn. For example, £400 million of Government funding has been allocated to the HomeBuy Direct scheme, which aims to help up to 18,000 first time buyers purchase their own homes. In addition, following the recapitalisation of some of the largest banks in the UK during 2008, the UK Government is now a significant shareholder in some of the country's largest mortgage lenders.

The housebuilding industry, including housing associations, has responded to these conditions by reducing the number of homes started during 2008 to 106,894 (2007: 200,697) according to the National House-Building Council (NHBC). This compares to forecast average household formations of 252,000 per annum for England alone and the UK Government's ambition to build three million new homes by 2020. Industry forecasts suggest that the number of home starts in the UK during 2009 could fall below 80,000 (source: Royal Institution of Chartered Surveyors). As such, the UK housing market remains an attractive environment in which to do business, with a structural undersupply of new housing likely to continue.

Strategy

We have reduced our level of ongoing overheads significantly to reposition the business for lower volumes and sales prices. During the first half of 2008 we initiated a review of our business structure and closed 13 of our 39 regional offices by the end of the year. We have continued to review our regional structure in the light of the ongoing adverse market conditions and have closed a further three regional businesses in early 2009. We have sought to redeploy staff wherever possible, however, unfortunately there were a significant number of redundancies in the UK during 2008.

We have actively set sales prices to reflect the challenging market conditions, with our wide range of customer incentives enabling us to deliver competitive offers on a local basis. This approach proved successful during 2008. We have undertaken a number of national marketing initiatives over the course of 2008, which have supported the regional activity undertaken to market each development in its local area. In such a competitive environment, sales and marketing skills are a key differentiator and we will be further enhancing our capabilities in this area during 2009.

We remain cautious in evaluating new site openings, especially where there are significant initial costs to be incurred prior to the completion of the first homes. We are continuing to operate with build rates below our current sales rates and our monthly cash spend on work in progress by the end of 2008 was approximately 50% of the equivalent figure for 2007.

For both new and existing sites, we are building in cost reduction targets to ensure that new plots released to construction will contribute an enhanced level of cash generation once the sale is completed. We are also working closely with our suppliers and sub-contractors to identify ways to further increase efficiency and reduce cost, having already delivered build cost savings following the merger in 2007.

Whilst the current focus is on reducing costs and generating cash flows, this needs to be balanced with the requirement for long term value creation. We are continuing to promote our strategic land assets through the planning process, in order to provide a portfolio of high quality sites that we can benefit from as the market recovers. In addition, on both active and mothballed sites, we are taking the opportunity to review the associated planning consents to identify potential resubmissions that would enhance value.

Financial review

UK housing revenue was £2,390.1 million (2007: £3,053.8 million), as the significant downturn in the UK housing market outweighed the effect of the first full year since the merger. Operating profit* was £53.0 million (2007: £418.2 million).

Exceptional items of £1,750.4 million were charged during the year (2007: £47.9 million). These related to a review of the carrying value of our land and work in progress in the light of the ongoing market weakness, a review of the carrying value of goodwill and other intangible assets and restructuring costs. Exceptional items are discussed in more detail on pages 30 and 31. Net operating assets in the UK were £2,585.7 million at 31 December 2008 (2007: £3,773.2 million).

* Profit on ordinary activities before finance costs, exceptional items, brand amortisation and tax, after share of results of joint ventures.

UK housing market at a glance

Key drivers

- Continuing undersupply of new homes against Government projections of household formation
- Strong cultural preference towards home ownership rather than rental

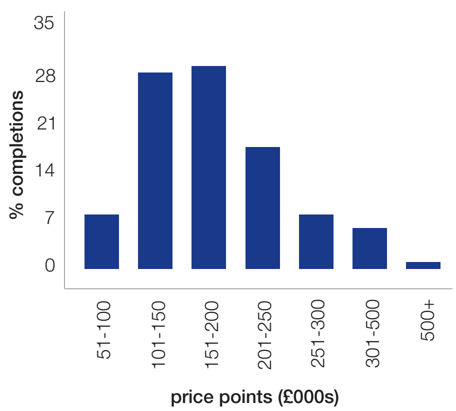
Potential risk factors

- Continuing problems of credit availability impacting on consumer confidence
- Changing economic environment leading to increasing interest rates or unemployment
- First time buyers becoming priced out of the market
- Changes in investor sentiment leading to increased supply in the secondary market

Taylor Wimpey performance

- Reduced number of unsold completed homes by 44% from June to December 2008
- Restructured our UK operations, closing 13 of our 39 regional offices during 2008
- Net land and work in progress write downs of £904.4 million

UK Housing private development price mix



Sales, completions and pricing

Sales rates in the first quarter of 2008 were more subdued than in the equivalent period of 2007. The second quarter then saw a further sharp decline, with sales rates for the remainder of 2008 well below the equivalent period of 2007. The net private sales rate per outlet per week for 2008 as a whole was 0.40, against a 2007 comparative of 0.55. Cancellation rates were also elevated in 2008 at 37.5% against a long run average of around 20%.

We completed 13,394 homes in 2008 (2007: 14,862) at an average selling price of £170,600 (2007: £191,000). The average selling price of a private home was £187,000 (2007: £208,000), whilst the average selling price of an affordable home was £107,700 (2007: £105,000). Price declines in private housing sales were primarily due to the adverse market conditions, with the average private house size of 973 square feet in 2008 broadly similar to that of 2007.

We have not seen widespread geographical variation in market conditions during 2008, reflecting the fact that the downturn has been driven by issues of credit availability, rather than local market factors. Apartment prices have been under greater pressure than houses, due to pockets of oversupply, most notably city centres outside London. Having controlled the number of apartment plots added to our landbank tightly in recent years, our level of apartment stock is reducing.

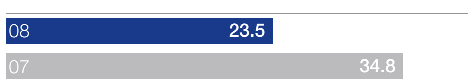
With cash generation an ongoing focus, we have achieved a significant reduction in the level of unsold completed homes. At 30 June 2008, we had 2,025 unsold completed homes on our balance sheet and successfully reduced this number to 1,138 by 31 December 2008.

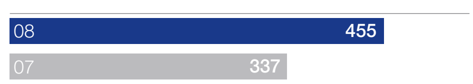
Our 2008 year-end order book stood at £562 million (2007: £1,064 million).

Our UK Housing key performance indicators

Given the significant changes in our operating environment during the course of 2008, we will be amending our suite of key performance indicators for 2009 to more accurately reflect the way in which we run the business.

	Operating margin	Order book as a percentage of revenue	Average outlet numbers
Objective	We aim to deliver industry-leading profit margins in each of our businesses.	We aim to hold an appropriate level of order book to give us visibility of profits for the forthcoming year.	In normal market conditions, we aim to increase outlet numbers over time in order to grow our business.
Definition	Profit on ordinary activities before finance costs, exceptional items and amortisation of brands divided by revenue.	Year-end order book value divided by revenue for that year.	Weighted average number of outlets open over the course of a year.





2.2%	23.5%	455
for 2008	**for 2008**	**for 2008**
(13.7% for 2007)	(34.8% for 2007)	(337 for 2007)

Product range and branding

We are currently operating with two core brands in the UK, Bryant Homes and George Wimpey.

We continue to offer a wide range of products from apartments to five bedroom houses, with prices ranging from under £100,000 to over £500,000. During 2008, the majority of our homes were priced within a range from £100,000 to £200,000.

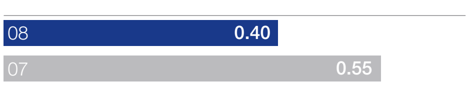
Social housing continues to increase as a proportion of our overall completions, growing to 21% during 2008 (2007: 16%). The UK Government has provided additional funding to enable Registered Social Landlords to buy housing originally designated for private sale and to potentially bring forward social completions. Whilst we have been able to achieve additional social completions during 2008, the reduced level of site openings in 2009 combined with the difficulty of bringing forward the social element of some sites under their current planning consents is likely to result in a similar level of social completions during 2009.

During 2008, we continued to develop our new house type range for the UK. This process involves a wide internal team specialising in fields from design to affordability and from health and safety to environmental sustainability. We are also working closely with our suppliers throughout the design process. All the new UK house types comply with Secured by Design principles and integrate the principles of Lifetime Homes to improve accessibility and cater for the changing needs of our customers. Every home design will also be capable of achieving level three or higher of the Code for Sustainable Homes.

Private sales rate

We aim to achieve an appropriate sales rate per week to prioritise cash generation over operating margin and completion volumes.

Annual net reservations divided by the average number of outlets, divided by 52.



0.40

for 2008

(0.55 for 2007)

Customer satisfaction

We strive to maintain and improve our customer satisfaction scores.

National New Homes survey undertaken by NHBC on behalf of HBF eight weeks after legal completion.

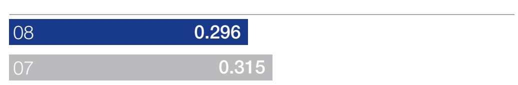
79.4%

customers satisfied or very satisfied with the quality of their home for 2008

Health and safety

We want to send our employees and sub-contractors home safely and uninjured day after day.

Reportable injury frequency rate per 100,000 hours worked.



0.296

for 2008

(0.315 for 2007)

UK Housing landbank

Plots	2008 Owned	2008 Controlled	2008 Pipeline	2008 Total	2007 Total
Detailed planning	40,753	1,300	–	42,053	45,161
Outline planning	23,438	3,547	111	27,096	32,152
Resolution to grant	3,361	2,518	381	6,260	13,746
Subtotal	67,552	7,365	492	75,409	91,059
Allocated strategic	6,816	6,485	–	13,301	12,495
Non-allocated strategic	19,106	57,668	–	76,774	90,397
Total	**93,474**	**71,518**	**492**	**165,484**	**193,951**

Quality and customers

We remain committed to delivering high quality homes for all of our customers.

We have reviewed our approach to measuring customer satisfaction and are now using two surveys. The first is the National New Homes survey undertaken by NHBC (the National House-Building Council) on behalf of HBF (the Home Builders Federation). Each of our customers is sent a survey eight weeks after their legal completion date. The second survey is the NHBC's own survey measuring the same elements but sent to customers nine months after completion. During 2008, 79.4% of our customers were satisfied or very satisfied with the quality of their home.

These surveys have become a key part of our Customer Service Management (CSM) system. The highest performing regions will be entered for our annual Hallmark Awards for customer service.

We have once again been well represented in the NHBC Pride in the Job awards, looking at build quality, with our UK site managers winning 51 Quality Awards, 10 Seals of Excellence and two Regional Awards.

Landbank

We suspended new land purchase commitments in late 2007 and did not re-enter the UK land market in 2008.

Where we have identified land assets which are surplus to our current requirements, we have marketed these and have undertaken a number of land sales where we feel that the price achieved delivers value to shareholders. For the year as a whole, land sales have generated £58.0 million of revenue (2007: £130.9 million) at an operating loss of £2.2 million after allocation of overheads (2007 profit: £40.1 million). The significant reduction in both revenue and profit reflects the depressed nature of the land market during 2008, with many potential buyers either out of the market, or only looking to buy land at distressed sale prices.

Our UK short term landbank, representing owned or controlled land with planning, or a resolution to grant planning, stood at 74,917 plots at 31 December 2008 (2007: 86,155 plots). Within this movement, controlled plots have been reduced from 13,439 at 31 December 2007 to 7,365 at 31 December 2008 reflecting the ongoing suspension of new land purchase commitments. The average cost per plot in the landbank was £37,000 at 31 December 2008 (2007: £45,000). We ended 2008 with 56% of our short term landbank fully consented (2007: 50%) and with a greater weighting towards the South of England and towards houses.

Our cash payments (all in respect of previous land commitments) totalled £538 million during 2008, a significant reduction against the land spend in 2007. We expect a further reduction in land spend during 2009 to around £300 million.

Current trading

In the first few months of 2009, the UK housing market has performed at the upper end of our expectations, with higher than expected visitor levels and sales rates. Pricing has been relatively stable. Affordability has improved as a result of recent price falls and the sharp reduction in interest rates. However, the ongoing requirement for a significant deposit to secure a mortgage and the mortgage valuation process continue to make it difficult for many potential customers to finance their new homes. The ongoing economic uncertainty is expected to further impact on consumer confidence and we therefore remain cautious about the prospects for a meaningful recovery during 2009.

We will maintain our focus on cash generation and cost reduction in order to position the business to weather the current downturn. This is being achieved through build cost reduction, the targeted use of sales incentives to deliver competitive pricing in local markets and tight control of work in progress spend. Our current order book is £881 million (week 16 2008: £1,410 million).

Our experience of operating in the US has provided us with an advantage in identifying the impacts of the market downturn in the UK and has enabled us to act swiftly to reposition the business accordingly.

Sheryl Palmer
President and CEO, North America Housing

We remain focused in the short to medium term on cost reductions and cash management

North America key performance indicators	2008
Operating margin*	6.1%
Order book as a percentage of 2008 revenue	50.0%
Average outlet numbers	234
Sales rate (per outlet per week)	0.4
Customer satisfaction	85.4%
Health and safety injury frequency rate (per 100,000 hours worked, excluding sub-contractors)	0.041

North America strategy

- Goal is to be the homebuilder of choice in each of our markets
- Current priority is cash management and cost reductions, whilst preserving the inherent value in our long term land positions

North America approach to challenging markets

- Drive sensible sales rates for each site
- Deliver additional build cost and overhead savings
- Continue to reduce investment in land and work in progress spend where appropriate

North America housing market

Markets in the US have continued to be extremely challenging throughout 2008. Although we saw some pockets of stabilisation during the first half, the market weakened during the second half of 2008 and particularly in the wake of the turmoil in the global financial markets. Whilst inventory levels within the industry have been brought under tighter control, the number of foreclosures has risen, putting further pressure on pricing.

Our markets in North America benefit from significant inward migration and job growth. According to data from the US Census Bureau, three of our markets (California, Texas and Florida) rank among the four largest States by population and Arizona and Texas were among the three fastest growing States by population in 2008.

The downturn started in some States in the third quarter of 2005, but we continue to see weakening market conditions. For example, building permits in Arizona fell by nearly 50% during 2008, with those in California down by nearly 45% (source: US Census Bureau). The Case Shiller Home Prices Indices report an average fall of 19% for the 20 areas that it covers. The largest recorded fall of 34% was in Phoenix, Arizona, with markets in California and Florida also showing significant falls. By contrast, the smallest recorded falls for 2008 of approximately 4% were in Texas and Colorado.

Our Canadian business continued to benefit from a robust operating environment throughout most of 2008, although it experienced some softening in the fourth quarter.

Strategy

In the current market conditions, we remain focused in the short term on cost reductions and cash management, whilst preserving the inherent value in our long term land positions.

We have a good quality and well respected business in North America, with strong brands and a growing market share, as evidenced by our recent recognition as a top 10 homebuilder in the US. Taylor Morrison was one of very few US homebuilders that traded profitably in 2008.

We entered 2008 with very lean overheads in North America, and whilst we have made additional savings, the key area of improvement has been build costs, both in terms of the price that we pay for materials and labour and the efficiency of our operations on site. We have re-bid contracts across our North American operations and have also reviewed all of our national and regional strategic sourcing.

Work in progress and land spend traditionally represent the largest cash outflows in our business. We have remained cautious regarding land spend throughout 2008 and have reduced the number of unsold completed homes from 908 at 31 December 2007 to 455 at 31 December 2008.

These short term actions will both maintain the underlying value of the business and put us in the best position to reinvest in new sites as value becomes available.

Financial review

North America housing revenue was broadly stable at £981.6 million (2007: £986.8 million), as the enlarged scale of the business following the merger and the benefit of a stronger US Dollar compared to Sterling were offset by the effect of continuing weakness in our US markets.

Operating profit* was £59.9 million (2007: £67.5 million). Exceptional items were £76.6 million (2007: £321.3 million). The operating margin* for 2008 was 6.1% (2007: 6.8%).

Due to the ongoing weakness in market conditions experienced during the year, we have conducted regular reviews of the carrying value of our land holdings. As a result of these reviews, we have taken land and work in progress write downs totalling £71.1 million during 2008 (2007: £283.4 million).

Net operating assets in North America stood at £677.8 million at 31 December 2008 (2007: £680.3 million).

Sales, completions and pricing

The business operated with an average of 234 outlets during 2008 (2007: 183), reflecting the impact of the first full year of the merger.

Total home completions were 5,421 (2007: 5,197).

The average selling price of our North American homes in 2008 was £175,000 (2007: £182,000), with the ongoing market weakness partially offset by the effect of a stronger US Dollar on currency translation.

Our year-end order book stood at £491 million (2007: £529 million).

Product range

We offer a wide range of homes to our customers in North America, ranging from entry level to luxury homes. Our product range includes high-rise condominiums, single family homes, townhomes and full service country club communities. At present our only active and upcoming high-rise projects are in the Canadian market.

Our US homebuilding operations trade under the Taylor Morrison brand, with land development branded Taylor Woodrow Communities whilst our Canadian business continues to operate as Monarch.

* Profit on ordinary activities before finance costs, exceptional items, brand amortisation and tax, after share of results of joint ventures.

North America housing market at a glance

Key drivers

- Migration to sunbelt States
- Affordability levels
- Customer confidence
- Employment levels

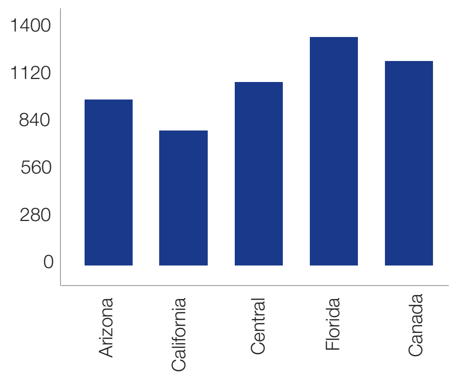
Potential risk factors

- Continuing restriction of credit availability
- Increased level of foreclosures
- Ongoing house price deflation

Taylor Morrison performance

- Reduced number of unsold completed homes by 50%
- Landbank plots reduced by 28%
- Net land and work in progress write downs of £71.1 million taken during 2008

North America Housing Completions by region



Quality and customers

Taylor Morrison won a series of sales and marketing awards in 2008. Our Houston Division won seven awards in the annual PRISM (Professional Results in Sales and Marketing) Awards organised by the Greater Houston Builders Association. Our Southern California Division won one MAME (Major Achievements in Marketing Excellence) Award and several categories of the regional Laurel Awards.

Monarch Corporation achieved third place in the J.D.Power ranking for customer satisfaction of condominium buyers in the Greater Toronto Area in 2008. We were also a finalist in the high-rise category of the Tarion Awards of Excellence for customer service in the Province of Ontario. Readers of Sacramento's Modesto Bee newspaper voted Taylor Morrison their favourite area builder for the second year in a row.

We are running a series of best practice conferences to learn from the customer care experience of our legacy businesses. This consultation process will inform the development of core practices and guidelines.

Our customer surveys are now undertaken by Avid Advisors, a customer loyalty management firm that works with over 400 housebuilders throughout the United States and Canada. We are proud of the fact that 89.9% of our customers would recommend us to their family and friends and our total homebuyer satisfaction score was 85.4%. These scores compare favourably to the average scores of 400 builders in North America of 86.6% and 83.0% respectively.

Our North America Housing key performance indicators

Given the significant changes in our operating environment during the course of 2008, we will be amending our suite of key performance indicators for 2009 to more accurately reflect the way in which we run the business.

	Operating margin	Order book as a percentage of revenue	Average outlet numbers
Objective	We aim to deliver industry-leading profit margins in each of our businesses.	We aim to hold an appropriate level of order book to give us visibility of profits for the forthcoming year.	In normal market conditions, we aim to increase outlet numbers over time in order to grow our business.
Definition	Profit on ordinary activities before finance costs, exceptional items and amortisation of brands divided by revenue.	Year-end order book value divided by revenue for that year.	Weighted average number of outlets open over the course of a year.

6.1%
for 2008
(6.8% for 2007)

50.0%
for 2008
(53.6% for 2007)

234
for 2008
(183 for 2007)

Landbank

We remain extremely cautious with regard to land purchases in the US, although we are starting to see some attractive opportunities in certain markets. We continued to invest in land for our Canadian operations selectively during the first part of 2008 and also made some opportunistic land purchases in Arizona in the fourth quarter.

At the year end, we had a landbank of 29,178 plots (2007: 40,603 plots).

Current trading

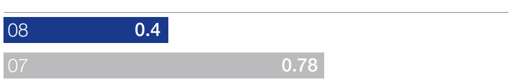
Market conditions have remained challenging. Sales rates for the year to date are slightly below our expectations, although we have seen some improvement in recent weeks and pricing movements are relatively small. Our current order book stands at £585 million. We expect that the significant improvements in affordability, reducing levels of available stock and the actions of the US Government will start to impact positively on the market during 2009.

We have maintained a meaningful presence in the markets in which we choose to operate and are successfully growing our market share in our key markets against a backdrop of reducing market sizes. We are well placed to take advantage of future opportunities to capitalise on the strong Taylor Morrison reputation.

Sales rate per outlet per week

We aim to achieve an appropriate sales rate per week to prioritise cash generation over operating margin and completion volumes.

Annual net reservations divided by the average number of outlets, divided by 52.



0.4

for 2008

(0.78 for 2007)

Customer satisfaction

We strive to maintain and improve our customer satisfaction scores.

Our customer surveys are now undertaken by Avid Advisors, a customer loyalty management firm that works with over 400 housebuilders throughout the United States and Canada.

85.4%

Total homebuyer satisfaction for 2008

Health and safety

We want to send our employees and sub-contractors home safely and uninjured day after day.

Reportable injury frequency rate per 100,000 hours worked, excluding sub-contractors.

0.041

for 2008

(0.212 for 2007)

Javier Ballester
Managing Director, Spain

Demand from British purchasers has reduced

Spain and Gibraltar key performance indicators	2008
Operating margin*	(4.0)%
Order book as a percentage of 2008 revenue	97%
Average outlet numbers	20
Sales rate (per outlet per week)	0.12
Customer satisfaction Spain	85%
Health and safety Spain (reportable injury frequency rate per 100,000 hours worked)	0.371
Health and safety Gibraltar** (reportable injury frequency rate per 100,000 hours worked)	0.828

Spain strategy

- Deliver high quality homes in popular locations that appeal to both foreign and Spanish buyers
- Focus on cash generation and cost reduction
- Remain cautious on land purchasing at the current point in the market cycle

Gibraltar strategy

- Announced plans to exit the Gibraltar market in August 2008

Spain and Gibraltar housing market

The housing market in Spain remains weak, with a continuing oversupply of new properties on the mainland. Demand from British purchasers has been reduced by the increasing economic uncertainty and the weakening of Sterling against the Euro over the course of 2008.

Performance

In Spain and Gibraltar we completed a total of 214 homes in 2008 (2007: 212) at an average selling price of £270,000 (2007: £279,000).

Operating loss* was £2.4 million (2007 profit: £2.2 million) as a result of the weaker market conditions.

The landbank has reduced from last year as we have become increasingly cautious in our approach to land purchases. Our year-end order book stood at £58 million (2007: £83 million).

We have undertaken further reviews of the carrying value of our landbank in Spain, which have resulted in land and work in progress write downs of £37.4 million (2007: £6.3 million). Of the 2008 write downs, £33.3 million was recorded during the first half of the year.

Current trading

Market conditions are expected to remain weak in mainland Spain during 2009.

* Loss on ordinary activities before finance costs, exceptional items, brand amortisation and tax.

** Please note that the injury frequency rate for Gibraltar equates to just four accidents in 2008.

Katherine Innes Ker
Corporate Responsibility Committee Chairman

We remain committed to being a responsible housebuilder

Currently, our most pressing corporate responsibility is our duty to those who may be affected by the impact of the economic downturn on our business. These groups include our investors, employees, customers and business partners including suppliers and sub-contractors.

Our 2008 Corporate Responsibility Report demonstrates that we continue to take our environmental and social responsibilities extremely seriously. Operationally, health and safety continues to be a non-negotiable top priority for us in all regions in which we operate. We also continue to build our homes and communities reliably and conscientiously.

Corporate responsibility management

We have a duty to take social, environmental, ethical and economic factors into account when conducting our business and to play our part in tackling global imperatives such as sustainable development and climate change.

Our Board-level Corporate Responsibility Committee continues to meet at least three times a year and is responsible for recommending the Company's corporate responsibility strategy, policies, reporting and performance monitoring to the plc Board. The Committee is made up of Independent Non Executive and Executive Directors. The Committee's remit includes highlighting significant environmental, social and ethical risks and opportunities for the attention of the plc Board.

Our UK business also has a Sustainability Working Group chaired by our Land and Planning Director and including Directors from a range of disciplines. In 2009, the Group will develop recommendations based on a risk and opportunity-focused approach to corporate responsibility.

Reporting approach

Our Corporate Responsibility Report is divided into two main sections. The first section is about *'Our homes and communities'* and includes five sub-sections looking at different aspects of how we go about creating sustainable communities.

Our 2008 Corporate Responsibility Report demonstrates that we continue to take our environmental and social responsibilities extremely seriously.

Supporting local communities. We aim to support the local communities in which we build by being a good neighbour, engaging with local residents and stakeholders as well as building in a considerate fashion. Examples include community consultation as well as our support for local communities through schools programmes and charitable initiatives.

Better by design. How we plan and design our communities has a major impact on everything from aesthetics to sustainability. We look at a significant range of issues when designing our homes and developments. In 2008, we continued to develop our new house type range and won a series of high profile awards.

Environmental sustainability. We work in areas such as energy efficiency, renewable energy use and water conservation as well as engaging with stakeholders and customers on sustainability issues. We have also undertaken a comprehensive analysis in 2008 on the implications of the UK Government's Code for Sustainable Homes for our business.

Enhancing economic growth. Building new communities and enhancing existing ones can have a major impact on local economies. We build much needed affordable housing, employ people from our local communities, provide training and education opportunities and regenerate urban areas. We also contribute to infrastructure, education, health, transport and other areas through planning obligations.

Customer care. Our approach to customer care includes measuring ourselves and we have introduced a number of new initiatives in 2008, such as developing a new Customer Journey. We also communicate with customers about sustainability issues.

Our Corporate Responsibility Report also includes four large case studies of our developments. Two UK case studies are EcoHomes Excellent rated Campbell Park in Milton Keynes and our regeneration of the Raploch estate in Stirling. From North America, we include award-winning, energy-efficient Mar Bella in Texas and Evergreen, a large scale environmentally-friendly low-rise residential community in Toronto, Canada.

The second section of the report addresses *'The way we work'*. This focuses on our management systems and our approach to the key areas of employees, HSE and supply chain management.

Employees. 2008 has been an exceptionally difficult year for housebuilders and we regret to report that we have made 3,045 staff redundant across all regions in which we operate. We engage actively with our employees and examples in 2008 include an employee survey, as well as training programmes, an initiative to encourage women into housebuilding and a series of challenges to motivate and develop our employees.

HSE management. We take health, safety and environmental issues very seriously. We have comprehensive management systems and undertake regular audits. Initiatives in this area during 2008 include employee and sub-contractor training programmes as well as progress on our approach to climate change, waste, land remediation and biodiversity.

Supply chain management. Our approach is to work in partnership with suppliers and sub-contractors, employing key supplier vetting and engagement techniques. We take into account green procurement issues and have our own logistics company WCL and timber framing company Prestoplan.

Katherine Innes Ker
Corporate Responsibility Committee Chairman

Our Corporate Responsibility Report and supporting documentation is available on-line at www.taylorwimpey.com/CRreports. We value feedback and welcome comments on the report or any aspect of our approach to corporate responsibility. Please e-mail us at CRreport@taylorwimpey.com or write to The Group Company Secretary, Taylor Wimpey plc, 80 New Bond Street, London, W1S 1SB.

2008 Highlights

Best architect-designed houses in the UK

Our Oxley Woods development won yet more prestigious accolades. We received a Housing Design Award, a RIBA award and the Manser Medal for the best architect-designed houses in the UK.

Building Disney's home of the future

Taylor Morrison's Innoventions Dream Home opened to the public at Disneyland Southern California in 2008. We expect around 17,000 individuals to visit our technological home of the future each day.

Energy-efficient homes reduce carbon emissions

A recent Taylor Wimpey study showed that our standard homes can use 55% less energy, save 65% in heating, lighting and hot water bills, and generate 72% less carbon dioxide emissions than an older home.

EcoHomes award winner

Glasdir in Ruthin, Denbighshire won the BREEAM EcoHomes 2008 award for Wales and is the first development in Wales to be built to the EcoHomes Excellent standard.

Awards for our best site managers

We won 51 Quality Awards, 10 Seals of Excellence and two coveted Regional Awards in the NHBC Pride in the Job Awards 2008.

High levels of employee commitment

Taylor Morrison scored in the top 10% or top 1% of North American companies for each of our four key areas of employee satisfaction.

Safety remains a top priority

We implemented a major new behavioural safety campaign in the UK and a comprehensive new health and safety programme for all North American Divisions.

50 years of building homes in Spain

Taylor Woodrow de España celebrated the company's 50th year of building homes in Spain. The Company has built around 4,000 homes in the Balearics and in mainland Spain since 1958.

Chris Rickard
Group Finance Director

2008 was the most challenging year that the housing market has encountered in recent history

Group summary

The economic downturn and banking crisis which took place in 2008 in all the major markets in which the Group operates provided the backdrop to the most challenging year that the housing market has encountered in recent history. The main focus of the Group changed to one of cash generation and cost reduction to facilitate a restructuring of the Group's financial indebtedness. Following a long series of negotiations involving the members of our revolving credit facility, private placement noteholders, Eurobond holders and surety providers, as well as the Trustee Boards of the two UK defined benefit pension schemes, the Group was able to announce on 7 April 2009 that it had been able to successfully restructure its entire debt obligations in a manner acceptable to all parties. The agreement was subsequently confirmed on 30 April 2009. This secures a medium term financing structure for all the stakeholders of the Group on a going concern basis. Further details of this refinancing structure are set out below.

Group results

Group revenue from continuing operations in 2008 fell by 16.3% to £3.5 billion (2007: £4.1 billion). Group completions were 19,029 (2007: 20,271) as a 10% decline in legal completions in the UK more than offset a 4% increase in legal completions in North America.

The trading impact of these lower volumes was exacerbated by lower average selling prices in all of the Group's major markets. The Group's net finance charges rose to £168.6 million (2007: £112.8 million) driven largely by the full year impact of the merger and the higher cost of debt.

As a result, the Group incurred a loss before tax and exceptional items from continuing operations of £74.7 million for the year to 31 December 2008 (2007 profit: £346.1 million).

The significant downturn in the Group's UK, US and Spanish markets has resulted in land and work in progress write downs of £1,012.8 million (2007: £289.7 million). In addition, the Group incurred other exceptional items of £882.2 million (2007: £90.0 million) comprising mainly an impairment of goodwill and other intangible assets totalling £816.1 million (2007: £30.0 million), restructuring costs of £35.1 million (2007: £60.0 million) and

Group results

	UK Housing	North America Housing	Spain and Gibraltar Housing	Corporate
Completions	13,394	5,421	214	–
Revenue	2,390.1	981.6	59.8	36.2
Operating profit/(loss)* (£m)	53.0	59.9	(2.4)	(14.2)
Operating margin*	2.2	6.1	(4.0)	–

	Group
Pre-tax loss – continuing, before exceptionals (£m)	(74.7)
Exceptional items (£m)	(1,895.0)
Loss before tax – continuing (£m)	(1,969.7)
Tax including exceptional credit (£m)	76.6
Profit for the year from discontinued operations (£m)	53.1
Loss for the year – total Group (£m)	(1,840.0)
Adjusted loss per share – continuing (p)	(9.4)
Dividends per share	nil

refinancing costs of £20.5 million (2007: nil). The Group also wrote off £10.5 million (2007: nil) of unamortised lenders fees. After taking into account all of the above, the Group has reported a consolidated loss before tax of £1,969.7 million (2007 loss: £33.6 million). The tax credit was £76.6 million, after an exceptional credit of £100.0 million, comprising a net credit of £91.6 million in respect of UK inventory write downs and deferred tax movements and a net credit of £8.4 million relating to US inventory write downs made in the year (2007 charge: £173.4 million after an exceptional charge of £70.2 million relating to a write off of deferred tax). The disposed Construction business contributed a £2.5 million loss after tax (2007: £10.3 million profit after tax) and a profit on disposal of £55.6 million (2007: nil) to the Group's result. This brings the consolidated loss after tax for the year to £1,840.0 million (2007 loss: £196.7 million).

Dividends
As previously communicated at the interim stage, there will be no dividend for the 2008 year (2007 full year dividend: 15.75 pence). We will review our dividend policy in light of prevailing market conditions in the future, once dividend payments become permissible under our revised financing arrangements.

UK Housing
Revenue decreased by 21.7% to £2,390.1 million (2007: £3,053.8 million). Completions were 13,394 (2007: 14,862) as the sharp decline in market conditions outweighed the benefit of the first full year of trading following the merger. Average selling prices were lower at £171,000 (2007: £191,000) reflecting a sharp decline in mortgage availability, despite significant cuts in interest rates, and a significant fall in consumer confidence levels together with an increase in the proportion of social completions for those legal completions which did take place. Operating profit* was £53.0 million (2007: £418.2 million), with an operating margin* of 2.2% (2007: 13.7%).

North America Housing
In Sterling terms, revenue was broadly flat at £981.6 million (2007: £986.8 million), as the enlarged scale of the business following the merger and the benefit of a stronger US Dollar compared to Sterling were offset by the effect of continuing weakness in our US markets. Completions increased to 5,421 (2006: 5,197), whilst average selling prices decreased to £175,000 (2007: £182,000) reflecting the difficult environment. Operating profit* fell by 11.3% to £59.9 million (2007: £67.5 million). The operating margin* was 6.1% (2007: 6.8%), reflecting the difficult conditions experienced during the year.

* Profit on ordinary activities before finance costs, exceptional items, brand amortisation and tax, after share of results of joint verntures.

Spain and Gibraltar Housing

Revenue from our operations in Spain and Gibraltar was £59.8 million (2007: £64.4 million), with completions of 214 homes (2007: 212). Markets in mainland Spain remained extremely challenging. However, average selling prices were relatively stable at £270,000 (2007: £279,000), reflecting a continuing impact of completions from our Gibraltar business.

Operating loss* was £2.4 million (2007 profit: £2.2 million).

Construction

In September 2008, the Group sold its UK Construction business for £74 million in cash. This realised a profit on disposal of £55.6 million. Prior to its disposal, the Construction business realised a loss after tax of £2.5 million (2007 profit after tax: £10.3 million). As a result, the reported profit after tax from discontinued operations during the year was £53.1 million (2007: £10.3 million).

We completed our exit from construction activities with the sale of our construction businesses in Ghana on 21 April 2009. Given the small scale of the Ghanaian construction operations in relation to the Group as a whole they are reported as part of the Corporate segment for this accounting period.

Exceptional items

The carrying value of goodwill on the Group's balance sheet on 1 January 2008 was £699.8 million, of which £694.3 million was allocated to the UK Housing business segment and £5.5 million was allocated to the North America Housing business segment. The Group

* Loss on ordinary activities before finance costs, exceptional items, brand amortisation and tax.

Debt refinancing

In early recognition that the housing market downturn in the UK, combined with ongoing market weakness in the US would cause the Company to breach the interest cover covenant (minimum adjusted operating profit cover requirement of not less than three times interest) in both its bank syndicate facility agreement and its private placement notes, the Company took steps to initiate debt restructuring talks with its various debt providers in July 2008. These discussions resulted in the Company securing a covenant deferral on 24 December 2008, replacing the interest cover covenant test for the year ended 31 December 2008 with one for the 12 months ended 28 February 2009 and a reporting date of 31 March 2009, which was subsequently extended to 14 April 2009. The existence of the potential for a covenant breach did not result in the Company defaulting on any of its financial obligations nor did its lenders require a formal standstill.

On 7 April 2009, the Company announced that management had successfully reached agreement with both its banks and private placement holders regarding a revised covenant and financing package appropriate both for current market conditions and robust against downside scenarios. The financial terms of this agreement were also approved on 30 April 2009 by the holders of both the Company's 2012 Eurobonds and 2019 Eurobonds. The refinancing has also been supported by the Boards of Trustees of the two UK defined benefit pension schemes.

Further details of the refinancing are set out in Note 37 on page 93 of this Annual Report. In summary, the refinancing provides for an alignment of all debt maturity dates to 3 July 2012; an immediate reduction of the revolving credit facility, resulting in the cancellation of £235 million of undrawn and unneeded headroom under the £1.65 billion facility; amendments to the margins and coupon rates on borrowings equivalent to an increase of 455 basis points; targeted agreed step downs in the level of facilities of £150 million by 30 June 2009 and a further £350 million by 30 June 2010 with additional compensation for lenders if these are not achieved and improved terms for the Group if these step downs are met; warrants giving all lenders the right to subscribe in cash (exercisable at par) for a combined total of 5% of the Company; a reduction in the level of the Company's UK overdraft from £95 million to £45 million; guarantees and securities to be provided for the currently undrawn committed facilities to be provided to the Group for the duration of the override agreement, which total a maximum of £416 million.

The previous covenant package has been replaced with a revised financial also held £120.5 million of other intangible assets on its balance sheet, the majority of which related to UK brand names. Given the weakness that the Group has experienced in most of the housing markets in which it operates, the Group wrote down all remaining goodwill and other intangible assets to nil following the impairment test carried out at the 2008 half year. This resulted in an exceptional charge of £816.1 million. Further detail on the impairment testing is presented in Note 13 to the consolidated financial statements.

In addition, this deterioration in market conditions resulted in the Group undertaking further reviews of the carrying value of its land and work in progress assets during the year. A total of £904.4 million was written off against the carrying value of land assets in the UK during 2008 (2007: nil), reflecting the sharp deterioration in the UK housing market since April 2008. A write down of £71.1 million was recorded against land and work in progress assets in the US during 2008 (2007: £283.4 million). A write down of £37.4 million was recorded in Spain (2007: £6.3 million).

Other exceptional items charged to profit before finance costs and tax in 2008 amounted to £55.6 million (2007: £60.0 million) and consisted of restructuring costs of £35.1 million (2007: £60.0 million) and refinancing costs of £20.5 million (2007: nil). Further details of these exceptional charges are set out in Note 5 to the consolidated financial statements.

We have now achieved a robust, stable medium term financing solution.

Net finance costs

Finance costs, net of interest receivable of £8.5 million (2007: £9.0 million), for 2008 were £179.1 million (2007: £112.8 million).

covenant package which is consistent across all of the Company's borrowings and better suited to the current market environment. There are three financial covenants which, if breached, would cause an event of default.

These comprise:

1. Net operating cash flow which is to be tested for the six months to 30 June 2009, the nine months to 30 September 2009 and then on a rolling 12-month basis ending at the end of each quarter. The test is on absolute levels of cash generated in each period.
2. Consolidated tangible net worth which is to be tested on a quarterly basis beginning on 30 June 2009 with varying covenanted minimum amounts over the life of the facilities.
3. An asset leverage cover covenant. This represents the ratio of total consolidated net borrowings to the book value of inventories net of land creditors and is to be tested quarterly from 30 June 2009.

The covenant amounts have been set after making allowance for appropriate sensitivities, including, inter alia, a further weakening of Sterling against the US Dollar; a potential increase in interest rates; and a potential further decline in UK house selling prices. All of these covenants are to be calculated on an adjusted frozen IFRS basis, based on the accounting principles used in the 2008 audited consolidated financial statements of the Company.

The Group has also agreed to provide operational covenants to its banks and private placement noteholders. These generally ensure that the existing position between creditors is protected but also include, for example, an annual cap on new land commitments linked to the Group's level of net debt.

The refinancing package is sufficiently robust as to adequacy of both facility and covenant headroom.

The revised financing deal does not require the Group to raise new equity capital. In the event, however, that the Group meets the planned £150 million reduction in facilities by the end of 2009 and raises a minimum of £350 million of equity by the end of 2010, there would be significant advantages:

- The cash margin and coupon payable reduce by up to 3.00% based on a ratchet mechanism related to gearing;
- The Initial PIK of 1.5% and any additional PIKs cease to accrue; and
- The level of operating covenants are reduced.

> With a revised covenant package now agreed with all relevant parties, there is no longer a material uncertainty in this area.

Within finance costs, interest on borrowings from financial institutions totalled £127.9 million (2007: £93.3 million). This increase was due to the higher average net debt levels the Group carried in 2008 of £1,821.9 million (2007: £1,197.1 million) reflecting the first full year of the enlarged business. Other items included in finance costs are a net pension charge of £11.7 million (2007: £3.8 million), a mark to market loss on interest rate derivatives of £10.8 million (2007: £5.4 million), a total of £26.7 million (2007: £19.3 million) charged for imputed interest on land creditors and exceptional accelerated amortisation of lenders fees of £10.5 million (2007: nil).

Tax

The pre-exceptional Group tax rate for 2008 was 31.3% (2007: 29.8%). In addition, there has been a significant exceptional tax credit of £100.0 million, comprising a net credit of £91.6 million in respect of UK inventory write downs and deferred tax movements and a net credit of £8.4 million relating to US inventory write downs made in the year. During 2007, an exceptional tax charge of £70.2 million was incurred, primarily due to the write off of deferred tax assets as a result of the weakening of the US markets in the second half of that year.

In total, the Group has unrecognised potential deferred tax assets as at 31 December 2008 in the UK of £248.3 million (2007: nil) and in the US of £303.6 million (2007: £189.4 million) providing a significant buffer against future tax charges.

Earnings per share

The pre-exceptional basic loss per share from continuing operations was 9.4 pence (2007 earnings per share: 29.5 pence). The basic loss per share after exceptional items is 174.8 pence (2007: loss of 24.2 pence).

Balance sheet and cash flow

Net assets at 31 December 2008 were £1.7 billion (2007: £3.7 billion) equivalent to a tangible net asset value of 158 pence per share (2007: 274 pence per share). Gearing at 31 December 2008 stood at 91.4% (2007: 38.2%).

The Group's cash inflow from operating activities was £153.6 million (2007: outflow £163.3 million). Year end net debt levels rose from £1,415.4 million in 2007 to £1,529.3 million in 2008, an increase of £113.9 million. An increase of £167.4 million is attributable to adverse movements in the exchange rates.

Treasury management and funding

The Group operates within policies and procedures approved by the Board. These are set out in detail in Note 23 to the consolidated financial statements.

The Group's preference is to manage market risks without the use of derivatives but derivatives will be used where necessary and appropriate to reduce the levels of volatility to both income and equity. The use of such derivatives is strictly controlled and they are not permitted to be used for speculative or trading purposes.

Both the term debt comprising private placements and derivatives of George Wimpey Plc were retained following the merger. The term debt is mostly borrowed in US dollars and used to finance the investment in the US business. It was also designated as a net investment hedge of the US dollar denominated assets. This hedge has been maintained following the merger. The interest derivatives while not satisfying the strict requirements for hedge accounting continue to hedge interest cost volatility in the merged company.

Liquidity is the most important financial risk to manage for a housebuilder, particularly in the economic circumstances currently prevailing in those markets in which the Group operates. Taking into account term borrowings and committed facilities, the Group has access to funding in excess of £2.5 billion (2007: £2.7 billion), which is committed until 2012. At the year-end, £411 million (2007: £1,193 million) was committed but undrawn. The total capital available provides adequate financial resources to fund the business in this difficult financial environment. The Group is operating well within its revised financial covenants and limits of available funding and is not obliged to obtain additional funding in the near future.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Chief Executive's Review on pages 6 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this Group Financial Review. In addition, Note 23 to the financial statements includes details of the Group's financial instruments, hedging activities and its exposure to and management of credit risk and liquidity risk.

During 2008, the ongoing covenant negotiations represented a material uncertainty which could have cast significant doubt on the ability of the Group to continue as a going concern such that the Group might have been unable to realise its assets and discharge its liabilities in the normal course of business. With a revised covenant package now agreed with all relevant parties, the Directors are of the view that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package is sufficiently robust as to the adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months. Accordingly, the financial statements are prepared on a going concern basis.

Further information is contained within the Corporate Governance Report and Note 1 to the consolidated financial statements.

Pensions

Actuarial valuations of both of the Company's main pension schemes, the Taylor Woodrow Group Pension & Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS), were completed during the first half of 2008. The results of these valuations are a deficit of £162.5 million relating to the TWGP&LAF (previous deficit £64.6 million) and a deficit of £215.0 million relating to the GWSPS (previous deficit £148.0 million). The IAS 19 valuation, which appears on the Company's balance sheet, is £277.2 million at 31 December 2008 (2007: £216.4 million). The increase in the deficit was largely due to the strengthening of the mortality assumption used in the IAS 19 deficit calculation partially offset by a higher iBoxx corporate bond rate as a result of the current economic environment. The balance sheet also includes £2.6 million of post-retirement healthcare benefit obligations (2007: £2.7 million).

The Company's deficit reduction payments in respect of the TWGP&LAF remain unchanged at £20 million per annum. The deficit reduction payments to the GWSPS, which were made at the rate of £15 million per annum during the first half of 2008, increased to a rate of £25 million per annum in July 2008 as a result of a scheme-specific actuarial review. In addition, a one-off deficit reduction payment of £5 million in respect of the GWSPS was made in July 2008. The terms of the recently negotiated debt refinancing secures the deficit repair payments during the term of the refinancing.

Further details relating to the pension schemes of the Group are presented in the financial statements in Note 24.

Accounting standards

The consolidated financial statements have been produced in accordance with International Financial Reporting Standards (IFRS) as endorsed and adopted for use in the EU. The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board. There have been no changes to International Accounting Standards this year that have a material impact on the Group results.

Chris Rickard
Group Finance Director

Board of Directors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Audit Committee
Current members: Andrew Dougal (Committee Chairman), Mike Davies, Anthony Reading and David Williams.

Corporate Responsibility Committee
Current members: Katherine Innes Ker (Committee Chairman), Norman Askew, Brenda Dean, Andrew Dougal and Pete Redfern.

Nomination Committee
Current members: Norman Askew (Committee Chairman), Mike Davies, Brenda Dean, Andrew Dougal, Katherine Innes Ker, Anthony Reading, Pete Redfern and David Williams.

Remuneration Committee
Current members: Anthony Reading (Committee Chairman), Mike Davies, Brenda Dean, Katherine Innes Ker and David Williams.


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1. Norman Askew
Chairman
Appointed a Director and Chairman in July 2003. He chairs the Nomination Committee and is a member of the Corporate Responsibility Committee. His current appointments include the Chairmanship of IMI plc and of the Board of Governors of the University of Manchester.

2. Pete Redfern
Group Chief Executive
Appointed a Director and Chief Executive in July 2007. He also currently has full responsibility for the UK Housing division. He is a member of the Nomination and Corporate Responsibility Committees. Previously Chief Executive of George Wimpey Plc, he was appointed Chief Executive of the Company following the merger. He was previously Finance Director of Rugby Cement and successively Finance Director, Managing Director and Chief Executive of George Wimpey's UK Housing business.

3. Chris Rickard
Group Finance Director
Appointed a Director in October 2008. Most recently he held the position of Group Finance Director at Whatman Group plc, leaving the business when it was sold to GE Healthcare in April 2008. Chris qualified as an accountant and was an Audit Manager with PwC, leaving in 1986 to work in industry. He has extensive experience of working in the capital intensive manufacturing and services industries, having previously held the position of Group Finance Director at VT Group plc, Weir Group plc and Meggitt plc.

4. Mike Davies
Independent Non Executive Director
Appointed a Director in October 2003. He is a member of the Audit, Remuneration and Nomination Committees. He is Chairman of The Royal Mint, Manchester Airports Group and Marshalls plc and a non executive director of Pendragon plc. He was formerly a director of Williams Holdings plc.

5. Baroness Dean of Thornton-le-Fylde
Independent Non Executive Director
Appointed a Director in July 2007. She is a member of the Remuneration, Nomination and Corporate Responsibility Committees. She is a member of the House of Lords and is active in a number of public areas, including the House of Lords Appointments Commission. Brenda is Chairman of the New Covent Garden Market Authority, a Partnership Director of National Air Traffic Services and a non executive director of Dawson Holdings PLC.

6. Andrew Dougal
Independent Non Executive Director
Appointed a Director in November 2002. A Chartered Accountant, he is Chairman of the Audit Committee and a member of the Nomination and Corporate Responsibility Committees. He is a director of Premier Farnell plc and Creston plc. Andrew was formerly Group Finance Director of Hanson, the conglomerate, until its demerger and subsequently Group Chief Executive of Hanson plc, the international building materials company, and a non executive director of BPB plc.

7. Katherine Innes Ker
Independent Non Executive Director
Appointed a Director in July 2001. She is Chairman of the Corporate Responsibility Committee and a member of the Remuneration and Nomination Committees. Katherine has considerable experience as a financial analyst in the media sector. She recently stood down as Chairman of Shed Media plc and was previously a non executive director of the Ordnance Survey.

8. Anthony Reading MBE
Independent Non Executive Director
Appointed a Director in July 2007. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Tony was previously a director of Tomkins Plc and Chairman and Chief Executive of Tomkins Corp. USA. He is a non executive director of Laird Plc, Spectris Plc and e2v Technologies plc.

9. David Williams
Independent Non Executive Director
Appointed a Director in July 2007. He is the Senior Independent Director. He is a member of the Audit, Remuneration and Nomination Committees. David was Finance Director of Bunzl plc until January 2006. He is a non executive director of DP World Limited (a Dubai quoted company), Mondi PLC, Mondi Limited (a Republic of South Africa quoted company), Meggitt PLC and Tullow Oil plc.

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10. James Jordan
Group Company Secretary and General Counsel
Appointed in July 2007. James, a solicitor, is the Taylor Wimpey plc Group Company Secretary and General Counsel. Previously he held the same position with George Wimpey Plc following his appointment in February 2002.

Introduction

Company law requires the Directors to prepare a report to shareholders on various matters affecting the Company and the Group during the reporting year, together with the general outlook for the Group in the context of the markets and business environment in which it operates.

Certain matters required to be included in this report appear elsewhere in the Report and Accounts as detailed below:

- A detailed review of the Group's principal activities, the development of its businesses, a review of financial and non-financial key performance indicators and a description of the principal risks and uncertainties facing the Group, are contained in the reports and reviews on pages 2 to 33.
- A list of the subsidiary and associated undertakings, including branches outside the UK, principally affecting the profits or net assets of the Group in the year appears on page 102.
- Changes in asset values are set out in the consolidated balance sheet on page 56 and in Notes 11 to 30 on pages 70 to 88.
- The Group's loss before taxation and the loss after taxation and minority interests appear in the consolidated income statement on page 54 and in Notes 3 to 10 on pages 62 to 70.
- Detailed statements of the Company's corporate governance principles, the Group's systems of internal control and the going concern confirmation are set out in the Corporate Governance Report on pages 39 to 43.
- A detailed statement of the Group's treasury management and funding is set out in Note 23 on pages 77 to 81.

Directors

The following eight Directors held office throughout the year:

Norman Askew, Chairman
Pete Redfern, Group Chief Executive
Mike Davies, Independent Non Executive Director
Brenda Dean, Independent Non Executive Director
Andrew Dougal, Independent Non Executive Director
Katherine Innes Ker, Independent Non Executive Director
Anthony Reading, Independent Non Executive Director
David Williams, Independent Non Executive Director

Peter Johnson and Ian Sutcliffe, as Executive Directors, resigned on 16 October 2008 and 14 April 2008 respectively.

Chris Rickard was appointed as Finance Director on 16 October 2008.

The Directors together with their biographical information are shown on pages 34 and 35. With regard to those Directors who are the subject of election or re-election at the Annual General Meeting (as set out in the next section of this Directors' Report) biographical information is also set out on page 105.

In determining the retirement and re-election of the Directors, the Company is governed by its Articles of Association ('Articles'), the Combined Code on Corporate Governance (the 'Combined Code'), the Companies Acts and related legislation. The Articles may be amended by special resolution of the shareholders. The powers of the Directors are described in the Corporate Governance Report.

Retirement and re-election of Directors

In accordance with the Articles, at the Annual General Meeting, Chris Rickard who was appointed a Director during the year by the Board, will retire and, being eligible, seek election by shareholders.

Norman Askew and Mike Davies retire by rotation and each will, being eligible, offer himself for re-election at the Annual General Meeting in accordance with the Articles.

Each of the Directors proposed for election or re-election at the Annual General Meeting is being unanimously recommended by all of the other members of the Board. This recommendation follows the completion of the evaluation process which included a detailed performance appraisal of the Board, its Committees and in respect of each Director. Further information relating to the evaluation is set out in the Corporate Governance Report.

Andrew Dougal, Katherine Innes Ker and David Williams have each served as an Independent Non Executive Director of Taylor Wimpey plc (including, in the case of David Williams, the pre-merger George Wimpey Plc) for a period in excess of six years. In line with the Combined Code, each has accordingly been subject to a rigorous evaluation, following which both the Nomination Committee and the Board were entirely satisfied with their respective performance and contribution as a Non Executive Director in addition to their ongoing independence of character and judgement. An evaluation of this nature will take place on an annual basis for all applicable Directors and time spent on the Board of George Wimpey pre-merger will count towards the six year period.

As part of this review the Board took into account the requirement of the Combined Code to refresh the Board from time to time.

Audit and auditors

Each Director at the date of approval of this Report confirms that:

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. In addition, each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte & Touche LLP, the Company's external auditor, changed its name to Deloitte LLP.

As reported in 2008, following a competitive tender conducted after completion of the merger, Deloitte LLP was confirmed as the external auditors of the Company. Deloitte have confirmed their willingness to continue in office as auditors of the Company and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Deloitte LLP also provides non-audit services to the Group within a policy framework which is described in the Corporate Governance Report.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 19 June 2009 at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London, NW1 4LE. Formal notice of the meeting including details of special business is set out in the Notice of Annual General Meeting on page 104 and on the Company's Web site www.taylorwimpey.com.

Web communication

At the Company's 2007 Annual General Meeting, shareholders voted overwhelmingly in favour of authorising the Company to introduce web communication at a future date.

On 3 March 2009 we wrote to shareholders explaining that the Company had decided to implement this authority and would in future make its shareholder communications (including the 2008 Annual Report and Accounts) available electronically through the Company's Web site www.taylorwimpey.com.

The benefits of web communication are that it will:

- enable the Company to reduce its printing and postage costs significantly;
- enable shareholders to access information faster, on the day documents are published on the Company's Web site; and
- reduce the amount of resources consumed, such as paper, and lessen the impact of printing and mailing activities on the environment.

Shareholders were invited to confirm whether they still required hard copy documentation and the Company is, of course, happy to provide hard copies to such shareholders.

Registrar

The Company's registrar is Capita Registrars. Their details including the new correspondence address, together with information on facilities available to shareholders, are set out in the Shareholder Information section on page 108.

Treasury shares

The Company was authorised at the Annual General Meeting on 17 April 2008 to purchase a maximum of 115.8 million of its own shares, and this authority remained valid at 31 December 2008. The authority was not exercised during 2008.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 26 on page 86. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

As part of the debt refinancing announced on 7 April 2009 the Company has issued Warrants giving the holders the right, up to 29 April 2014, to subscribe for

Substantial interests: Beneficial and non-beneficial interests in the Company's shares

Name	Number of shares held (millions)	Percentage of issued voting share capital
Beneficial interests		
Barclays PLC	63.98	6.00
Polaris Capital Management, LLC	58.80	5.52
JPMorgan Chase & Co.	53.62	5.03
Legal & General Group Plc	42.22	3.96
Legal & General Assurance (Pensions Management) Limited and Legal & General Investment Management (Holdings) Limited	38.67	3.63
Prudential plc and The Prudential Assurance Company Limited	38.68	3.63

up to an aggregate of approximately 58 million ordinary shares (representing approximately 5% of the Company's present issued share capital) for cash at a subscription price per share of 25 pence. The Warrants are transferable and carry entitlement to subscription for three months after the passing of a resolution for the winding up of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in the Remuneration Report on pages 44 to 52. The Employee Share Ownership Trusts abstain from voting in respect of shares held by them.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Substantial interests

The persons set out in the table above have notified the Company pursuant to Rule 5 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

At 29 April 2009, no change in these holdings had been notified nor, according to the register of members, did any other shareholder at that date have a disclosable holding of the issued share capital.

Directors' interests, including interests in the Company's shares, are shown in the Remuneration Report.

Dividend

As explained in the Chairman's Statement on page 5 the Directors do not recommend the payment of a final dividend on the Company's ordinary shares.

The right to receive any dividend has been waived in part by the trustee of the Company's two Employee Share Ownership Trusts over those Trusts' combined holding of 4,952,887 shares and in full on the Company's holding of 92,732,927 treasury shares.

An appropriate amount of shares held in the Trusts are set aside to meet commitments under the Company's employee share plans. Shares held in treasury resulting from the acquisition of the Company's own shares in 2004 and 2007 provide the Company with additional flexibility in the management of its capital base.

Corporate responsibility

Corporate responsibility remains a high priority throughout the Taylor Wimpey Group. Our corporate responsibility practices, policies and case studies are drawn together in the Taylor Wimpey Corporate Responsibility Report which was first published and circulated to shareholders and other designated stakeholders in 2008. Our second Corporate Responsibility Report will be published in 2009 on the Group's Web site www.taylorwimpey.com. It will also be available to any shareholder in hard copy on request.

The Group's commitment to advancing corporate responsibility within Taylor Wimpey is demonstrated by the activities of the Corporate Responsibility Committee, a formal Committee of the Board. The Committee is chaired by Katherine Innes Ker and it is also comprised of the Chairman of the Board, two further Independent Non Executive Directors and the Group Chief Executive as detailed in the Corporate Governance Report.

Research and development

The Company remains committed to investing in research and development projects where there are clearly defined business benefits.

In the UK, our main effort has been to build on the previous work undertaken on meeting the new challenges for more energy efficient and sustainable design. This work has taken the form of a new range of houses guided by our previous research. These houses are designed to be capable of meeting the anticipated changes to energy efficiency in the building regulations of 2010 (25% improvement) and 2013 (44% improvement). A key aspect of this development work has been to anticipate what our strategy for meeting these targets will be and designing into the houses the flexibility to accommodate the technological changes required. This has included thicker walls to allow more insulation, and space for the integration of solar thermal and variable roof designs to allow installation of solar panels on differently orientated sites.

In the course of any research and development we are conscious of the fact that the houses we build are for our customers. We therefore constantly consider how people will want to live in our houses and whether the behavioural changes required from the results of any research and development will be acceptable. Whilst certain design features such as improved daylighting will be welcomed, we still have to see how our customers will respond to tightly sealed houses with mechanical ventilation and water saving fittings. The next stage of our development will be to prototype the houses, to test in use and test with our customers.

Continued research and development into how we can best utilise emerging low and zero carbon technologies in our homes will be a priority for many years, however we are keen to take a leading role, working with key members of our supply chain to help guide them in developing products fit for our customers.

Understanding the costs of meeting the new regulations is vital to our business planning for the future. Our understanding has been further enhanced by running multiple scenarios of the costed solutions. This information has then been developed into a viability model to show the effect of forthcoming regulation on development viability.

In the USA, Taylor Morrison unveiled its relationship with the Walt Disney Company, introducing the Innoventions Dream Home at Disneyland in Southern California. The partnership affords us a unique and excellent test bed for new technologies. The Innoventions home is hosting approximately 17,000 guests each day and we are able to capture their views, needs and preferences not just in home building technologies but more specifically all technologies that consumers want in their homes.

Other partners are software group Microsoft and electronics group Hewlett Packard, offering leading edge and available technologies as well as new technologies that are being tested and will shortly be ready for the market.

These partnerships allow us to collect and analyse the consumer preferences collected at Innoventions as well as understand potential buyer choices as they complete our on-line 'build your perfect home' modules installed in the home of the future.

Employee involvement and communication

The Company is committed to ensuring open and regular communication throughout the Group on both business related issues and issues of general interest. Intranet systems are continually updated which provides a valuable communication tool across the Group and an important facility for providing employees with access to a wide range of information. Information is regularly cascaded throughout the Group via electronic communication and by management presentations. There is also an internal magazine which is widely circulated across the Group.

The Company promotes all employee share plans, including the Save As You Earn share option scheme and the Share Purchase Plan, as widely as possible across the Group.

Equal opportunities

The Company remains committed to equality of opportunity in all of its employment practices, policies and procedures across the Group. To this end, within the framework of applicable law, we are committed, wherever practicable, to achieving and maintaining a workforce which broadly reflects that of the local catchment area within which we operate. No employee or potential employee will receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, religion, political or other opinion, affiliation, gender, sexual orientation, marital status, family connections, age, membership or non membership of a trade union, or disability, unless justifiable in exceptional circumstances, for example due to health and safety considerations.

Employment of disabled persons

It is our policy that people with disabilities should have fair consideration for all vacancies within the Group. The Company is therefore committed, where possible, to ensure that people with disabilities are supported and encouraged to apply for employment and to achieve progress once employed. They will be treated so that they have an equal opportunity, so far as it is justifiable, to be selected, trained and promoted. In addition, every reasonable effort is made for disabled persons to be retained in the employment of the Group by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

Charitable donations

During the year, Group companies donated £230,000 (2007: £371,000) to various charities, £132,000 (2007:£193,000) in the UK and Europe, £83,000 (2007:£178,000) in North America and £15,000 (2007: nil) in Ghana. Further information on the Group's donations, activities and initiatives can be found in the 2008 Corporate Responsibility Report.

Political donations

The Company did not make any donations to political parties during 2008 (2007: nil) and has a strict policy not to do so.

Policy on payment of suppliers

The nature of the Group's operations means that there is no single Group standard in respect of payment terms to suppliers. Generally, subsidiaries are responsible for establishing payment terms with suppliers when entering into each transaction or series of linked transactions. In the absence of dispute, valid payment requests are met as expeditiously as possible within such terms. This policy continues to apply in 2009.

Trade creditor days for the Group for the year ended 31 December 2008 were 26 days (2007: 43 days). This is based on the ratio of year end Group trade creditors (excluding sub-contract retentions and unagreed claims of £28.8 million (2007: £23.8 million) and land creditors, see Note 22 to the consolidated financial statements) to amounts invoiced during the year by trade creditors. The Company had no significant trade creditors at 31 December 2008.

Agreements

Pursuant to the Takeovers Directive (Interim Implementation) Regulations 2006, the Company is required to disclose whether there are any significant agreements to which the Company is a party that take effect, alter, or terminate upon a change of control of the Company following a takeover bid, and the effects of any such agreements.

Apart from a small number of borrowing agreements, including the Override Agreement dated 7 April 2009 between the Company and various of its principal creditors which was entered into as part of the debt refinancing referred to in 'Important events since the year end' below, pursuant to which the Company borrows or is able to borrow money and which could potentially be terminated by the other party upon a change of control of the Company, there are no significant contracts or agreements which take effect, alter or terminate upon a change of control of the Company.

Important events since the year end

As set out on pages 30 and 31 – 'Debt refinancing' and in Note 37 on page 93 on 7 April 2009, the Company announced that it had successfully reached agreement with its banks and private placement noteholders regarding a revised covenant and financing package. The financial terms of this agreement were also approved on 30 April 2009 by the holders of both the Company's 2012 Eurobonds and 2019 Eurobonds.

As announced on 21 April 2009 the Company disposed of its construction operations in Ghana.

Other than as set out above, there have been no important events affecting the Company or any of its subsidiary undertakings since 31 December 2008.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs, as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

They have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In the case of IFRS accounts International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows.

In the case of UK GAAP accounts, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Acts.

The Directors are responsible for the maintenance and integrity of corporate and financial information included on the Company Web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Report of the Directors was approved by the Board of Directors on 30 April 2009.

James Jordan

James Jordan
Group Company Secretary and General Counsel
Taylor Wimpey plc

Corporate governance statement

The Board is fully committed to high standards of corporate governance and corporate responsibility throughout the Group. The Board supports the principles of corporate governance contained in the 2006 Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority (the 'Combined Code') and also the June 2008 edition of the Combined Code which applies to accounting periods beginning on or after 29 June 2008. The Combined Code sets out the governance rules which apply to all UK companies which are listed on the London Stock Exchange.

This Report on Corporate Governance together with the Remuneration Report on pages 44 to 52 are intended to explain how the Company has applied the principles of the Combined Code and provide an insight into how the Board and management run the business for the benefit of shareholders. The Chairman's Statement and the Group Chief Executive's Review seek to present a balanced assessment of the Company's position and prospects.

During the year, the Board recognised that the challenging market conditions, organisational changes and initiatives to strictly control costs together with the work required in connection with the amendment of the Company's debt facilities would require an enhanced governance and control environment in order to maintain the integrity of the business during such challenging conditions. This statement sets out some of the initiatives taken to ensure this was addressed during the year and into 2009.

Statement of compliance

For the year ended 31 December 2008, the Company complied with all the provisions of the Combined Code including the Principles set out in Section 1.

The Board and its committees

As at the date of this Report the Board consists of nine Directors: the Chairman, two Executive Directors and six independent Non Executive Directors. Their names, responsibilities and other details appear on pages 34 and 35. Changes in the Board composition since 31 December 2007 are set out on page 36.

During 2008, as would be expected, the Board met more frequently than in previous years as a result of both the equity capital project and the negotiations that took place with regard to the amendment of its debt facilities. Accordingly, the Board met on 25 occasions during the year including 10 meetings since July 2008. Details of the attendance of each Director are set out in the table on page 41.

It is Board policy that where a Director misses a Board or Committee meeting, the Chairman and/or the Group Company Secretary will, as soon as possible, brief the Director fully on the business transacted and on any decisions that have been taken.

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of prudent and effective controls, which enables risk to be assessed and managed. It sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. It also defines the Company's values and standards and ensures that its obligations to its shareholders and other stakeholders are clearly understood and met.

The following documents have been adopted by the Board:

- Schedule of matters specifically reserved for the decision of the Board;
- Board policies covering operational matters, compliance and stakeholder policies;
- Terms of Reference of the Board Committees: Nomination, Remuneration, Audit and Corporate Responsibility, which outline their objectives and responsibilities and which define a programme of activities to support the discharge of those responsibilities. These Terms of Reference are available on our Web site www.taylorwimpey.com;
- Policy for employing the auditors for non-audit work and advice (details of which are set out on page 41).

All Directors have access to the advice and services of the Group Company Secretary and General Counsel. The Board has an established procedure whereby Directors may take independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors.

The Board took detailed advice during the year both with regard to the project to raise additional equity in the first half of 2008 and secondly, with regard to the amendment of its debt facilities in the second half of the year. Advice was provided in connection with the amendment of its debt facilities, by specialist restructuring advisers N M Rothschild & Sons ('Rothschild') and the Company's legal advisers Slaughter and May ('Slaughter') with regard to UK matters and by Davis Polk with regard to US matters. Representatives of Rothschild and Slaughter have attended the relevant part of almost every meeting of the Board since July 2008 to advise the Board on key legal issues relating to the status of the project. The advice also included specialist advice to the Board as whole and to Directors individually as to their responsibilities. Since October 2008 the Board formally considered at each meeting whether the Group could continue to trade on a going concern basis in light of the then current status of negotiations relating to the amendment of its debt facilities.

Board and committee balance, independence and effectiveness

It is the Company's policy that appointments to the Board are made on merit and the Nomination Committee has a formal, rigorous and transparent process against which objective criteria recommended by the Nomination Committee are used. Typically the process of appointment, prior to the decision of the Board, will include the engagement of recruitment consultants, interviews with members of the Board and the taking up of detailed references.

The Nomination Committee also guides the Board in arranging the orderly succession for appointments to the Board and to senior management. The work of all of the Board Committees is described in this Report.

The Board has an adopted framework of delegated commercial and operational authorities, which define the scope and powers of the Group Chief Executive and of operational management.

The roles and responsibilities of the Chairman and the Group Chief Executive have been reviewed by the Board and in line with the Combined Code, have been clearly defined and are set out in writing. Details of additional controls introduced during the year are set out on pages 42 and 43.

The Board will continue to review the governance framework including delegated commercial and operational authorities to ensure that they are tightened, as appropriate, to respond to the current period of change and that they generally meet the requirements of the Group going forward.

The Board also undertakes a regular review of the interests of each Director outside of the Company. The Board is satisfied that the commitments of each Director do not detract from the extent or quality of time which they are able to devote to the Company.

During the three years up to and including the 2009 Annual General Meeting, every Director will have sought re-election at least once and any Director appointed during 2008 by the Board, will be subject to election by shareholders at that Meeting. The Board has reviewed and re-affirmed that it considers all of the Non Executive Directors to be independent in character and judgement and that there are no relationships which could affect the Director's judgement. The Chairman, at the time of his appointment, met the independence criteria as set out in the Combined Code.

In line with the Combined Code, there will be a rigorous review of any Non Executive Director wishing to hold office for more than six years with such review taking into account the need to progressively refresh the Board. Having sought clarity from the ABI, time spent by applicable Directors on the Board of George Wimpey prior to its merger with the Company is deemed to count towards this six year period. Accordingly, David Williams (who was appointed to the Board on 3 July 2007 and to the Board of George Wimpey Plc in May 2001), Katherine Innes Ker who was appointed to the Board on 1 July 2001 and Andrew Dougal who was appointed to the Board on 18 November 2002, have been subject to a rigorous review as part of the wider annual performance evaluation of the Board, details of which are as set out on page 40.

Following the review, the Board was entirely satisfied with the performance and contribution of each Director and also with their ongoing independence of character and judgement.

Whenever any Director considers that he or she is, or may be interested in, any contract or arrangement to which the Company is or may be a party, the Director gives due notice to the Board in accordance with the Articles of Association. In such cases, unless allowed by the Articles, a Director with such an interest is not permitted to participate in any discussions or decisions relating to the contract or arrangement.

The Board considers that its Directors possess an appropriate balance of skills and experience for the requirements of the business. The Board and its committees operate within a framework of scheduled core meetings. A considerable number of additional meetings were held during the second half of the year, as the Board took active measures to both address the challenges of the difficult market conditions in the UK and the US, and to oversee progress on the amendment of its debt facilities.

All Directors visit Group operations on a regular basis, engaging with employees at all levels in order to foster and maintain an understanding of the business. Board visits are arranged each year to operations in both the UK and elsewhere within the Group. More details are set out below.

The Group Company Secretary and General Counsel acts as Secretary to the Board and its Committees and he attends all meetings. It is policy that wherever possible a formal agenda and written reports are issued to Directors in respect of all Board and Committee meetings one week prior to the meeting in order to allow sufficient time for detailed review and consideration beforehand. Where a Director is unable to attend a meeting of the Board or a Committee, he or she will still receive the appropriate papers in advance and is invited to communicate to the Chairman or Committee Chairman, or the Secretary any views on the matters to be discussed. In addition, the Director will receive a full briefing afterwards on the matters discussed and decisions taken. Formal minutes are prepared in respect of all Board and Committee meetings and are then circulated and submitted for approval at the next meeting.

Information and professional development

The Company has procedures whereby Directors (including Non Executive Directors) receive a formal induction. This includes training and continuing familiarisation about the Company's business, operations and systems, the principles underlying the discharge of their duties as Directors and wider issues relating to the housing sector.

Performance evaluation of the Board, its committees and other functions

In line with the Combined Code, a formal annual evaluation of the performance and effectiveness of the Board and its Committees and of individual Directors was carried out. The evaluation was carried out by the Chairman and the Group Company Secretary. The process consisted of a bespoke questionnaire which was sent by the Group Company Secretary to all Directors for completion. The questionnaire focused on the performance of: the Board, the four Board Committees, the performance of each Director (by way of self assessment plus a confidential evaluation by the Chairman of each Director) and the performance of the Chairman. This year, the evaluation also specifically focused on a rigorous assessment of each of the three Directors who have served on the Board for more than six years (taking into account where applicable, past service on the George Wimpey Plc Board). The Secretary collated all of the responses and produced a summary in respect of each performance area. The Chairman and the Secretary then reviewed the summaries that had been prepared in respect of the Board, each Board Committee and each Director (other than the Chairman) and formally presented the findings to the Board on a non-attributable basis for discussion. Following this, a set of actions was agreed which were designed to increase further the overall effectiveness of the Board.

A number of points came out of the performance evaluation designed to increase the effectiveness of the Board which will be implemented during 2009. A specific action item coming out of the evaluation is that Directors should receive health and safety training in order that they are more aligned to the key operational priority of the Group. This action item has already been largely addressed.

The Non Executive Directors, led by the Senior Independent Director, undertook the evaluation of the Chairman's performance. The evaluation was based on the non-attributable summary prepared by the Secretary of the feedback from the Non Executive and Executive Directors. The summary was reviewed by the Non Executive Directors in the absence of the Chairman, following which David Williams in his capacity as the Senior Independent Director provided feedback direct to the Chairman.

As part of the appraisal process the Chairman has also met on a one to one basis with each Director. Last year, it was reported that a specific action item would be to arrange for Non Executive Directors to make additional visits to operations across the Group.

This action item has been comprehensively addressed: the Non Executive Directors made several visits to the businesses around the UK and in North America, to discuss with local management teams the challenges currently facing their businesses, the situation in local markets and the initiatives being taken to counter or mitigate their effects.

In line with the Combined Code, the Chairman also holds meetings with the Non Executive Directors without the Executive Directors present. The Senior Non Executive Director also holds and leads meetings with only the Non Executive Directors present.

Internal Audit: A formal evaluation of the Group Internal Audit ('GIA') function was carried out by the Audit Committee which also took into account views from Executive Directors, senior management and the external auditors.

External auditors: As reported last year a comprehensive formal competitive tender process with regard to the carrying out of the 2008 external audit was conducted following the merger between Taylor Woodrow and George Wimpey which resulted in Deloitte LLP being selected as external auditors to the Company. Deloitte LLP will be proposed for re-appointment as the Company's auditors at the Annual General Meeting.

Board committees and their work

Nomination Committee

The Committee is chaired by the Chairman of the Board and is comprised of a majority of Non Executive Directors as required by the Combined Code. Its members are set out on page 41. As set out earlier in this Report, the Committee has processes in place with regard to the appointment of new Directors to the Board in order to ensure that appointments are made on merit. For the appointment of Non Executive Directors, the use of an external search agency will usually be incorporated as part of the process.

The Nomination Committee is responsible for succession planning for the Board and senior management and assesses the balance of the Board's composition. The Committee met on six occasions during the year and details of the attendance of each Director are set out in the table on page 41.

Remuneration Committee and remuneration

The Board's policy and approach to the setting of remuneration for Directors and senior executives and the activities of the Remuneration Committee are described in detail in the Directors' Remuneration Report on pages 44 to 52. The Committee is constituted in accordance with the Combined Code and its members are set out on page 41.

The Committee is chaired by Anthony Reading and all members are Independent Non Executive Directors as required by the Combined Code. During the year the Remuneration Committee met on seven occasions. Details of the attendance of each Director are set out in the table opposite. Andrew Dougal routinely attends meetings of the Remuneration Committee in his capacity as the Chairman of the Audit Committee.

Audit Committee and auditors

The Committee is chaired by Andrew Dougal and all members are Independent Non Executive Directors as required by the Combined Code. The Board has determined that Andrew Dougal, who is a member of the Institute of Chartered Accountants of Scotland, has recent and relevant financial experience as have other members of the Committee including Anthony Reading and David Williams. The Chairman of the Company and other Non Executive Directors, the Group Chief Executive, Group Finance Director, Head of Internal Audit, Group Financial Controller and other senior executives attend meetings of the Committee by invitation. Deloitte LLP is invited to attend meetings of the Audit Committee. The Committee also meets privately with representatives from Deloitte at two Committee meetings per annum and as and when required.

During the year the Audit Committee met on four occasions at each of which there was full attendance. The meetings were typically also attended by the other Non Executive Directors.

The Committee's remit includes reviewing the internal control framework, the internal audit process, the financial reporting practices and the external audit process. It ensures that the Board regularly assesses business risks, and their management and mitigation. In doing so, the Committee places reliance on regular reports from executive management, GIA and external audit. In monitoring the financial reporting practices the Audit Committee reviewed accounting policies, areas of

Board structure at a glance

Taylor Wimpey plc Board

Chairman – Norman Askew

Number of Meetings in 2008 – 25

Members	Title	Attendance
Norman Askew	Chairman	25
Pete Redfern	Group Chief Executive	25
Chris Rickard*	Group Finance Director	8
Peter Johnson#	Former Group Finance Director	16
David Williams	Senior Independent Director	24
Mike Davies	Independent Non Executive Director	24
Brenda Dean	Independent Non Executive Director	25
Andrew Dougal	Independent Non Executive Director	25
Katherine Innes Ker	Independent Non Executive Director	25
Anthony Reading	Independent Non Executive Director	25

* Appointed 16/10/2008
# Resigned 16/10/2008

Nomination Committee

Reports directly to the Taylor Wimpey plc Board

Objective
To ensure that there shall be a formal, rigorous and transparent procedure for the appointment of new directors to the Board, its committees and other senior offices in the Company.

Chairman – Norman Askew

Number of meetings in 2008 – 6

Members	Attendance
Norman Askew	6
Mike Davies	6
Brenda Dean	6
Andrew Dougal	5
Katherine Innes Ker	6
Anthony Reading	6
Pete Redfern	6
David Williams	6

Remuneration Committee

Reports directly to the Taylor Wimpey plc Board

Objective
To establish and maintain formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual directors and senior executives and to monitor and report on them.

Chairman – Anthony Reading

Number of meetings in 2008 – 7

Members	Attendance
Anthony Reading	7
Mike Davies	7
Brenda Dean	7
Katherine Innes Ker	7
David Williams	5

Audit Committee

Reports directly to the Taylor Wimpey plc Board

Objective
To assist the Board in fulfiling its corporate governance responsibilities relating to the Group's internal control framework, financial reporting practices and external audit process.

Chairman – Andrew Dougal

Number of meetings in 2008 – 4

Members	Attendance
Andrew Dougal	4
Mike Davies	4
Anthony Reading	4
David Williams	4

CR Committee

Reports directly to the Taylor Wimpey plc Board

Objective
To recommend to the Board the Company's Corporate Responsibility Strategy, policies, reporting and performance monitoring.

Chairman – Katherine Innes Ker

Number of meetings in 2008 – 2

Members	Attendance
Katherine Innes Ker	2
Norman Askew	2
Brenda Dean	2
Andrew Dougal	2
Pete Redfern	1

judgement, the going concern assumption and compliance with accounting standards and the requirements of the Combined Code. During the year the Committee reviewed, prior to publication, the interim and annual financial statements and other major statements affecting the Group concerning price sensitive information.

Appointment of the auditors for non-audit services

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

The Committee has determined that the following assignments should not be undertaken by the auditors:

- bookkeeping or other services related to the accounting records or financial statements;
- internal audit outsourcing services;
- the provision of advice on large Information Technology systems;
- services connected with valuation, litigation support, legal, recruitment or remuneration.

The Board is satisfied that this policy is conducive to the maintenance of auditor independence and objectivity. During the year a significant amount of non-audit related work was performed by the external auditors as a consequence of the challenges faced by the Group. A major component of this work related to the attempted equity raising which is work ordinarily performed by the auditors for companies involved in such projects. Having performed this work, they were requested to provide further advice and support in connection with the amendment of the Company's debt facilities which commenced in July 2008. In addition, following an initial competitive tender, they provided advisory services in connection with the successful sale of the Taylor Woodrow Construction business.

The Audit Committee is satisfied that the carrying out of this work would not impair the independence of the external auditors.

Corporate Responsibility Committee

The Corporate Responsibility Committee is chaired by Katherine Innes Ker and the other members are Norman Askew, Pete Redfern, Brenda Dean and Andrew Dougal.

The Corporate Responsibility Committee met on two occasions. Details of the attendance of each Director are set out in the table above.

The Company's corporate responsibility practices outline its approach to the challenge of sustainable development. Our policies and practices help the business to demonstrate high standards of governance, reduce risk and comply with current and future legislation.

The Committee is responsible for recommending the Company's corporate responsibility strategy, policies, reporting and performance monitoring to the Board. The Committee's remit includes ensuring that the Company's corporate responsibility strategy and activity are adequately resourced, have appropriate standing within the Company and are aligned to the needs of the business. The Board regards corporate responsibility as an integral part of good governance.

Full details of the Company's achievements and initiatives in these areas during 2008 and going forward are set out in Taylor Wimpey's Corporate Responsibility Report which is available in electronic form on the Group's Web site www.taylorwimpey.com.

Internal control

The Board has applied Principle C.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews its application of the Revised Turnbull Guidance on Internal Control to ensure the process of internal control remains effective and appropriate. The process, which has been in place from the start of the year to the date of approval of this Report, is in accordance with Internal Control: Guidance for Directors on the Combined Code. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

In compliance with provision C.2.1 of the Combined Code, the Board regularly reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. This process is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of this Report and Accounts. This assessment considers all significant aspects of internal control arising during the period covered by the report including the work of Internal Audit. The Audit Committee assists the Board in discharging its review responsibilities. Key elements of the system of internal control are detailed below.

A Group-level review is carried out to identify the major risks facing the Group and to develop and implement appropriate initiatives to manage those risks. This process applies across the Group.

Strategic risk reviews are carried out in each of the operating divisions to identify business risk, evaluate existing controls and develop strategies to manage the risks that remain.

Key operational and financial risks are identified and assessed at the operating process level, while strategic risks are identified as a part of the business planning process. These risk reviews take account of the significance of environmental, social and governance matters to the business of the Company. Such risks are identified and assessed for potential effect on the Company's short and long term value, as well as opportunities that may arise to enhance value.

Throughout 2008 the Audit Committee continued to assess the Group's risk management and the internal control framework, and reviewed business change issues and GIA activities across the Group.

As a result of that process, the top six risks facing the Group were identified and agreed by the Board, including a possible breach by the Company of certain financial covenants at the year end as a result of the prevailing housing industry market conditions. To assist it in addressing this risk the Company appointed Rothschild in July 2008 as its specialist debt restructuring adviser.

In order to minimise the risk of breach, during the first half of the year, the Company sought to amend its financial covenants and raise equity capital. However, on 2 July 2008 the Company announced that due to market conditions it had not been able to reach a satisfactory outcome with regard to the raising of equity. Therefore, during the second half of the year the key risk facing the Group related to the outcome of the amendment of its debt facilities which were necessary in order to avoid a breach of certain financial covenants at the end of 2008 as described in 'Debt refinancing and going concern' on page 43. As set out on page 39 of this Corporate Governance Report, during 2008 the Board formally met 25 times with the additional meetings convened in order to consider and evaluate the major projects relating to equity capital and the amendment of its debt facilities. A more detailed review of the material risks and uncertainties facing the Group during the year and in the future, is set out in the Group Financial Review on pages 28 to 33.

The Board oversees the risk and control framework of the Group and the Group Chief Executive is responsible for implementing any necessary improvements with the support of the Executive Committee. The Executive Committee consisted of the Group Chief Executive, Group Finance Director, Group Secretary and General Counsel, UK Chief Executive and the North American President and CEO. In 2009 the Executive Committee was expanded to include senior operational management including the two UK Housing Divisional Chairmen and the UK and North American Financial Directors. The Group Chief Executive reports on the key elements arising from each Executive Committee meeting at the next Board Meeting and any minutes from such meetings are included in the next Board pack of documents. The Board ensures that the Company has in place effective systems to manage and mitigate significant risks.

On 28 April 2009 the Board completed the annual assessment for the year to 31 December 2008. This took the form of detailed briefings from the Audit Committee, supported by reports, and by taking account of events since the year end.

Management

The Group Chief Executive has responsibility for preparing and reviewing strategic plans for the Group and its divisions and the annual budgets. These are subject to formal approval by the Board. Budgets are re-examined in comparison with business forecasts throughout the year to ensure they are sufficiently robust to reflect the possible impact of changing economic circumstances. The Group Chief Executive and the Board conduct regular reviews of actual results and future projections with comparison against budget and prior year, together with various treasury reports. Enhanced cash and debt reporting was introduced during the year to assist in managing the Group through the current market difficulties and in its refinancing negotiations.

Disputes that may give rise to significant litigation or contractual claims are monitored quarterly by the Board with updates provided at intervening meetings.

The Group has clearly defined policies, processes and procedures governing all areas of the business which will continue to be reviewed and refined in order to meet the requirements of the business and changing market circumstances.

Defined authority limits were reviewed in response to the market downturn. Investment in land was severely curtailed and subject to Group scrutiny. Work in progress has been carefully controlled and directly linked to sales prospects, with little speculative build. Any investment, acquisition or disposal requires detailed appraisal and prior approval by Group and is subject to post-investment review procedures. Investment decisions, projects, and tenders are subject to approval by the Board or the Group Chief Executive, depending on the value and nature of the investment or contract.

There is a clearly identifiable organisational structure and a framework of delegated authority approved by the Board within which individual responsibilities of senior executives of Group companies are identified and can be monitored. These activities are reinforced through process compliance and other audits conducted by GIA.

The GIA function reviews the effectiveness and efficiency of the systems of internal control in place to safeguard the assets, to quantify, price, transfer, avoid or mitigate risks and to monitor the activities of the Group in accomplishing established objectives. Internal Audit reports are provided to the Executive Directors, indicating improvements proposed or made where appropriate, and summaries of these reports are provided to the Board and the Audit Committee. The Group Chief Executive, Executive Committee members and senior management consider the reviews on a regular basis and are responsible for ensuring that improvements are made, where required. The Head of the GIA function has direct access to the Chairman of the Audit Committee, the Chairman and the Group Chief Executive. A database of audit recommendations and improvement initiatives is maintained. Follow up processes ensure that such improvements are implemented in a timely manner.

The annual employee performance appraisal process is objective-based, with individual objectives cascaded down from the appropriate business objectives. Development reviews identify training needs to support achievement of objectives.

Whistleblowing

The Group's whistleblowing policy is supported by a clear process that includes an externally facilitated hotline through which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, other operational matters or inappropriate personal behaviours in the work place.

All whistleblowing cases are investigated by the Head of GIA, Group HR Director and/or the Group Company Secretary. Whistleblowing incidents and their outcome are reported to the Audit Committee. Whistleblowing is a standing item on each Audit Committee agenda which allows the Committee to regularly review the adequacy of the policy in line with its requirements to do so under the Combined Code.

Relations with shareholders

The Board actively seeks and encourages engagement with major institutional shareholders and other stakeholders and has put in place arrangements designed to facilitate contact about business, governance, remuneration and other issues. This provides the opportunity for meetings with the Chairman, the Senior Independent Director as well as the Group Chief Executive, Group Finance Director and other Executives in order to establish a mutual understanding of objectives. The Company also operates a structured programme of investor relations, based on formal announcements and publications covering the full year and half year results. There are associated briefings for stockbroking analysts and investors, the presentation material for which is published on the Company's Web site www.taylorwimpey.com.

All Directors receive formal reports and briefings during the year about the Company's investor relations programme and receive detailed feedback through surveys, direct contact and other means, through which they are able to develop an understanding of the views of major shareholders about the Company.

The Board encourages all shareholders to participate in the Annual General Meeting which is attended by all Directors. Information about the Company, including full year and half year results and other major announcements, is published on the Company's Web site www.taylorwimpey.com.

Debt refinancing and going concern

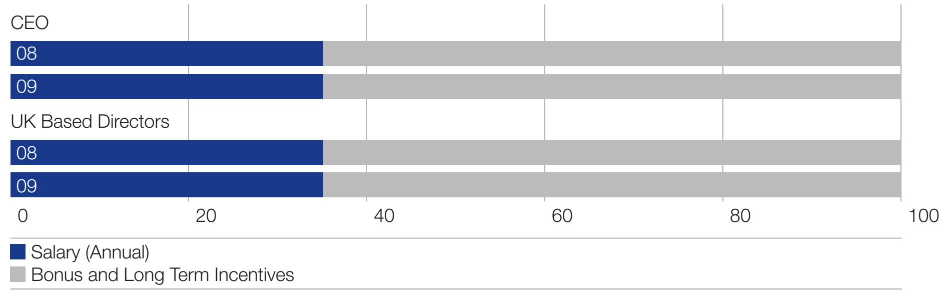
On 7 April 2009, the Group announced that it had successfully reached agreement with its banks and private placement holders regarding a revised covenant and financing package (the "Override Agreement") which aligns all of the Group's debt maturity dates to 3 July 2012. The financial terms of this agreement were also approved on 30 April 2009 by the holders of both the Group's 2012 Eurobonds and 2019 Eurobonds.

The financial covenants have been set based on the Group's financial forecasts which have been reviewed and approved by the Directors. The Directors consider that these forecasts, based on current market conditions, demonstrate an adequate level of headroom for at least the next 12 months and also make appropriate allowances for a number of potential adverse sensitivities, including, inter alia, a further weakening of Sterling relative to the US dollar; a potential increase in interest rates; and a potential further decline in UK house selling prices.

The Directors are of the view that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package is sufficiently robust as to adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months. Accordingly the financial statements are prepared on a going concern basis.

Further details of the refinancing are set out in the Group Financial Review on pages 28 to 33 and in Note 37 on page 93 of this Annual Report.

Proportion of fixed to performance based remuneration (%)



Introduction

The Remuneration Committee (also referred to in this Report as the 'Committee') has adopted the principles of good governance relating to Directors' remuneration as set out in the 2008 Combined Code on Corporate Governance (the 'Combined Code'). This Report has been prepared in accordance with the Companies Act 1985 (the 'Act') and meets the requirements of the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority.

It is a requirement that the Company's auditors report to shareholders on certain parts of this Report and state whether in their opinion those parts of it have been properly prepared in accordance with the above regulations. Accordingly, the Report has been divided into separate sections consisting of unaudited and audited information.

A resolution to approve this Report, will be proposed at the Annual General Meeting of the Company on 19 June 2009.

This Report has been prepared by the Remuneration Committee on behalf of the Board.

As set out in this Report, the Committee has taken a number of measures in order to reflect the challenging market conditions. These measures are summarised briefly below:

- for the second year running (2008 and 2009) no salary increases have been awarded to any Executive Director;
- no bonuses were paid to any Executive Director in respect of 2008 performance. This included the personal element of their bonus opportunity (20% of maximum bonus potential) and in this respect the Committee took into account the wishes of the applicable Directors who had indicated that they would not be willing to accept any bonus payments awarded;
- the temporary short term incentive for synergy achievement arising out of the merger between Taylor Woodrow and George Wimpey in 2007 and described in the 2007 Remuneration Report was not implemented for 2008 and it will not be implemented in respect of 2009;
- during the year the Chairman determined that he would reduce his fees from £270,000 per annum down to £200,000 per annum with effect from 1 January 2009. This was subsequently agreed with the Remuneration Committee and endorsed by the Board; and
- no increase in fees to Non Executive Directors were made during the year.

Long term incentives have not yet been awarded for 2009 as the Committee did not feel it appropriate to implement these incentives until the successful completion of the Company's protracted debt refinancing negotiations. The Remuneration Committee is currently reviewing the long term arrangements in place for Executive Directors and designated senior management and it will consult as necessary prior to finalisation and the making of any awards. Similarly the Committee will also be reviewing Executive Director and senior management bonus arrangements for 2009 which have yet to be finalised. Details of 2009 long term incentive and bonus arrangements will be included in next year's Remuneration Report.

Part 1: Unaudited Information: Remuneration Committee

The Remuneration Committee has clearly defined terms of reference which are reviewed annually by the Board and are available on the Company's Web site at www.taylorwimpey.com. The key remit of the Committee is to recommend to the Board the remuneration strategy and framework for Executive Directors and senior management. Within this framework the Committee's main role and responsibilities are to:

- determine the remuneration, including pension arrangements, of the Executive Directors and the Group Company Secretary and General Counsel;
- monitor and make recommendations in respect of remuneration for the tier of senior management one level below that of the Board;
- approve annual and long term incentive arrangements together with their targets and levels of awards;
- determine the level of fees for the Company Chairman.

The Committee comprises five independent Non Executive Directors. Anthony Reading is the Committee Chairman and the other members of the Committee are Katherine Innes Ker, Mike Davies, Brenda Dean and David Williams. Details of attendance at Remuneration Committee meetings held during 2008, are set out in the table on page 41.

No Director is involved in any decisions about his/her own remuneration.

Advice to the Company

The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate. During the year, the Committee received material advice from Mercer Limited ('Mercer'). It also received legal advice from Slaughter and May. Separately, Mercer also provides actuarial advice direct to the Trustees of the George Wimpey Pension Scheme.

In addition, the Company Chairman, Group Chief Executive, Group Company Secretary and General Counsel and Group Human Resources Director provided input to the Committee on remuneration matters except in relation to their own individual remuneration.

Policy and philosophy

The Committee has adopted the following remuneration philosophy:

- remuneration arrangements must help attract, motivate and retain the management talent required to meet the Company's strategic objectives;
- Taylor Wimpey will be committed to fostering a performance culture that effectively aligns individuals' reward with increased corporate performance and shareholder value creation;
- a significant proportion of each executive's total compensation should be delivered through performance related pay; and
- incentive arrangements should be capable of providing upper quartile total payment if outstanding performance is achieved.

Within the principles of good governance, the Committee regularly reviews its remuneration strategy. The prime objective is to ensure that the Company is able to attract and retain highly skilled and motivated people who will be key to ensuring the long term success of Taylor Wimpey.

A key component of the remuneration packages of the Executive Directors and senior management is a significant element of performance related incentive remuneration, set against challenging business performance objectives. The chart (above) shows the proportion of fixed to performance based remuneration for 2008 and 2009. Fixed remuneration comprises base salary. Performance based remuneration comprises an annual cash bonus and long term incentive plan. The chart illustrates the mix of remuneration assuming target levels of annual bonus are met and the annualised expected value of long term incentive provision.

Non Executive Director positions

Subject to Board approval and provided that such appointments are in accordance with the requirements of the Combined Code, Executive Directors are permitted to take on non executive positions with other companies. Executive Directors are permitted to retain their fees in respect of such positions. During 2008, Peter Johnson (who stood down from the Board on 16 October 2008) was a non executive director of (i) Shanks Group plc and received fees of £33,000 (2007: £40,000) and (ii) Oriel Securities Limited where he received fees of £21,000 (2007: £25,000). The 2008 fees for Peter Johnson have been pro rated to the date he stood down from the Board. No other Executive Director holds any non executive positions.

Base salary

The Committee reviews base salaries annually in order to ensure Executive Directors remain competitively aligned with external market practices and are fairly compensated against FTSE peers. As part of this process the Committee takes detailed advice from Mercer who provide specialist advice, as well as benchmarking data, to the Committee based on relevant peer groups.

In determining base salary positioning, the Remuneration Committee considers market data from two peer groups reflecting sector and size based comparators which are used to inform decisions on compensation policy and appropriate compensation quantum respectively.

In light of the prevailing market conditions the Committee has determined not to implement any increases for Executive Directors for 2009. No salary increases were awarded during 2008 for Executive Directors with the last increases being implemented following the review which took place following the merger of Taylor Woodrow and George Wimpey in July 2007. Going forward, it has been determined that future annual salary reviews for Executive Directors will take place in April rather than January in each year with the first review to be undertaken on this basis effective from April 2010. This will be consistent with all other employees and will follow the annual performance appraisal process applicable to all staff.

Save for a very small number of exceptions based on promotion or outstanding performance, no salary increases have been or will be awarded for any employee during 2009.

Executive Directors' contracts of service, which include details of their remuneration, will be available for inspection at the Annual General Meeting and also available as described in the Notice of 2009 Annual General Meeting.

Other benefits, including benefits-in-kind

The Executive Directors receive additional benefits including a Company provided car or an allowance in lieu, life assurance and private medical insurance. Benefits-in-kind are not pensionable.

Bonus arrangements

The Company offers Executive Directors and senior managers the opportunity to earn performance related bonuses.

For 2008, Executive Director bonuses were based on a target bonus of 60% of base salary and a maximum bonus opportunity of 150% of base salary, with a compulsory three year deferral into shares requirement of 50% of any bonus payment. There is no share matching element. For Pete Redfern (and Peter Johnson to 16 October 2008) their bonuses for this period were based on stretching targets in respect of Group PBT, UK Operating Margins, average capital employed and personal objectives (20%). For the 2008 performance year, financial performance was below threshold level against the set targets and therefore no annual bonus is payable to the Executive Directors for these elements of the incentive plan. The Committee has also determined, for 2008, that no payments shall be made for achievements against personal objectives to Executive Directors in light of the broader business context during the performance period. In addition, no bonus will be paid to Chris Rickard for the period 16 October to 31 December 2008.

As mentioned on page 44, bonus arrangements for Pete Redfern and Chris Rickard for 2009 have yet to be finalised by the Committee. Consistent with previous years, targets will be stretching to achieve.

In addition to the core annual bonus arrangement, for 2008 and 2009 an additional temporary short term incentive plan for synergy achievement was proposed for 24 key executives to support the achievement of exceptional financial savings as set out in the merger documentation sent to shareholders in 2007 (details of the plan are set out in the 2007 Annual Report). Whilst achievement of these synergies remained a key business objective and they were achieved in 2008, in view of the difficult trading conditions that emerged during 2008, the decision was taken not to implement the synergy incentive plan for any executive. In addition the Remuneration Committee has also determined that the plan will not be implemented in 2009 for any executive.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure the Remuneration Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance ('ESG') risks by inadvertently motivating irresponsible behaviour. More generally, the Committee under its terms of reference may, where it considers it appropriate, take ESG matters into account when considering the overall remuneration structure.

No bonus or deferred bonus payments under any bonus arrangement are pensionable.

Deferred Bonus Plan

The Remuneration Committee considers that share ownership by Executive Directors and senior executives is important as it provides a clear alignment of interests with those of shareholders. Last year this alignment was supported by a requirement for Executive Directors to defer 50% of any cash received under the bonus plan into Taylor Wimpey shares for a period of three years with no matching element. In view of the changes made to other parts of the bonus structure, such as the bonus levels and LTIP awards, the Remuneration Committee has decided that this requirement should not operate during 2009.

Executives' share-based incentive plans

Current Plans

At the Company's Annual General Meeting in 2008 shareholders approved the introduction of two new long term incentive plans namely, the Taylor Wimpey Performance Share Plan and the Taylor Wimpey Share Option Plan. The Committee believes that use of two complementary plans will enable incentives to be linked to both relative and absolute performance and offer flexibility to align long term incentives both with the long term interests of shareholders and also with strategic priorities, whilst also being directly linked to external benchmarking of performance.

Full details of the plans are set out below. Except in circumstances which the Committee, after consulting the Board, considers exceptional, the combined value of awards under the two long term incentive plans will not exceed the expected value of a Taylor Wimpey Performance Share Plan award of 200% of salary (face value) for the Executive Directors or 300% of salary award (face value) for other participants. Where the Committee elects to award under both plans, two options will be provided under the Taylor Wimpey Share Option Plan for each one share reduction in the Taylor Wimpey Performance Share Plan award. The satisfaction of any performance conditions will be the subject of independent verification.

Taylor Wimpey Performance Share Plan

Under this plan Executive Directors and senior executives may be granted annually a conditional award of shares with a value, at date of grant, of up to 2x base salary (Executive Directors) or 3x base salary (other participants). Such awards vest after three years provided, and to the extent that, the associated performance conditions have then been achieved. The performance targets are firstly, that Group Earnings Per Share ('EPS') shall have grown by at least 3% p.a. (for 25% of the EPS-related award to vest) or 8% p.a. (for 100% of the EPS-related award to vest) beyond the rate of UK RPI growth for the same period and secondly, that the company's Total Shareholder Return ('TSR') performance over the period compared to its peer group shall be at least 50th percentile (for 25% of the TSR-related award to vest) or 75th percentile (for

100% of the TSR-related award to vest). The two TSR peer groups are firstly, FTSE 100 (50% of TSR-related performance) and secondly, Barratt, Bellway, Berkeley Group, Bovis Homes Group, Galliford Try, Kier, Marshalls, Persimmon, Redrow, SIG, Travis Perkins and Wolseley (50% of TSR-related performance). There would be straight-line vesting between the EPS and TSR thresholds. The Remuneration Committee has discretion to vary the targets (other than for Executive Directors) to relate them to business unit and individual performance targets.

During 2008, awards were made to 329 executives (2007: nil) over an aggregate of 5,643,537 shares (2007: nil), based on the share price of 161.67 pence, exercisable on 17 April 2011. Following the appointment of Chris Rickard as Group Finance Director on 16 October 2008 an award was made to him over 2,338,462 shares (2007: nil), based on the share price calculated at date of award of 16.25 pence, exercisable on 16 October 2011. Details of awards made to Executive Directors appear on page 51.

Taylor Wimpey Share Option Plan

Under this plan Executive Directors and senior executives may be granted annually an option over shares with a value, at date of grant, of up to 2x base salary (Executive Directors) or 3x base salary (other participants). Such awards, which may be income tax-approved up to HMRC's aggregate limit of £30,000, vest after three years provided, and to the extent that, the associated performance condition has then been achieved. The performance target is that Return on Capital Employed ('ROCE') exceeds the company's Cost of Capital ('CoC') (for 25% of the award to vest) and to exceed it by 3% (for 100% of the award to vest). There would be straight-line vesting between the two thresholds. As mentioned on page 44, as yet no long term incentive awards have been made during 2009.

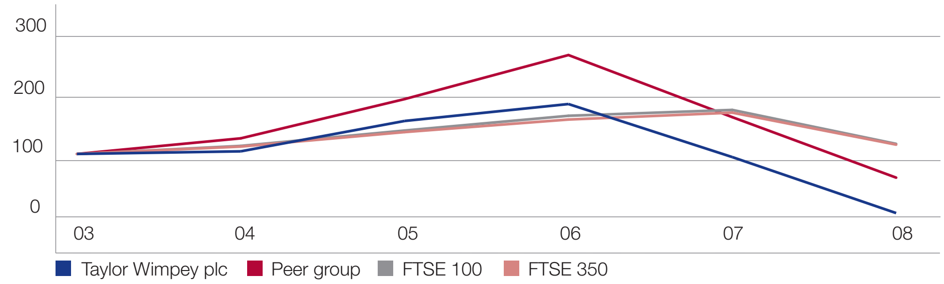
During 2008, options were granted to 329 executives (2007: nil) over an aggregate of 13,247,283 shares (2007: nil), based on the share price of 137.75 pence, 4,908,753 exercisable on 28 April 2011 and 8,338,530 exercisable on 28 August 2011. Following his appointment on 16 October 2008, share options were granted to Chris Rickard over 4,676,923 shares (2007: nil), based on the share price at date of award of 16.25 pence, exercisable on 16 October 2011. Details of awards made to Executive Directors appear on page 51.

Legacy plans

Taylor Woodrow Performance Share Plan

The Taylor Woodrow Performance Share Plan operated from 2004 to 2007, when it was superseded by the Taylor Wimpey Performance Share Plan described above. Conditional awards of shares made at nil cost to executives vest if defined performance criteria are met over the three year performance period attaching to each award. For basic awards, the condition is the achievement of EPS growth of at least 3% p.a. compound (for 50% of the award to vest) and 6% p.a. compound (for 100% of the award to vest). Enhanced awards were made to Executive Directors and members of the Executive Committee (pre-merger), which vest if

Total shareholder return (£)



This graph has been prepared from information obtained through Datastream. It shows the theoretical growth in the value of a shareholding in the Company and in the FTSE 100 and FTSE 350 companies over the specified period, assuming that dividends are re-invested to purchase additional units of equity at the closing price applicable on the ex-dividend date. The historical data is based on the constituent companies at each given date. The peer group consists of the companies set out in the Taylor Wimpey Performance Share Plan section.

the basic 3% compound EPS measure is achieved and also if the Company's TSR compared to the peer group, exceeds median performance (40% of the enhanced awards vest) or achieves Upper Quartile performance (100% of the enhanced awards vest). The Peer Group comprises Barratt, Bellway, Berkeley, Bovis, Crest Nicholson, McCarthy & Stone, Persimmon and Redrow. There would be straight-line vesting between the two EPS and TSR thresholds.

The last award under the Plan was made in 2007 and it is now closed to new awards. Details of awards held during the year by Executive Directors appear on page 51.

Taylor Woodrow Executive Share Option Plan

The Taylor Woodrow Executive Share Option Plan was suspended on 9 October 2003 and is closed to new awards.

George Wimpey Long Term Incentive Plan

The George Wimpey Long Term Incentive Plan was closed to new awards from the date of the merger in 2007. Conditional awards of shares are held by a small number of key executives and only vest if predetermined performance conditions are satisfied over the three year performance period. The key condition is the measurement of TSR against a peer group comprising Barratt, Bellway, Berkeley, Bovis, Galliford Try, Gleeson (MJ), Heywood Williams, Kier, Marshalls, Persimmon, Redrow, SIG, Travis Perkins and Wolseley. Awards vest if the Company's TSR compared to the peer group exceeds the 50th percentile (25% of the awards vest) or 75th percentile (100% of the awards vest). There would be straight-line vesting between the two thresholds. There is also a requirement that the Company's EPS performance has been satisfactory.

The last award under the Plan was made in 2007 and it is now closed to new awards. Details of awards held during the year by Executive Directors appear on page 51.

George Wimpey Executive Share Option Scheme

Designated senior UK employees of George Wimpey Plc participated in the George Wimpey Executive Share Option Scheme and their interests were rolled-over into equivalent options over the Company's shares at the time of the merger in 2007. Such holdings remain subject to the rules of the Scheme, which is closed to new awards. No Executive Director has any participation in the Scheme.

All-employee share plans

United Kingdom

The Company encourages share ownership by employees and accordingly, it operates a number of all-employee type share schemes.

The Company operates a Sharesave Plan under which all UK employees with at least three months' service can save up to £250 per month and receive three or five year options to acquire the Company's shares priced at a discount of up to 20% of market value. During 2008, 1,248 employees (18% of those eligible) (2007: 1,912) applied to join the Plan. Options were granted over 22,685,606 shares (2007: 2,640,216) at an option price of 37.6 pence per share.

The Company also operates a UK Share Purchase Plan, under which UK employees with at least three months' service are permitted to invest up to £1,500 per annum of their pre-tax earned income in the purchase of partnership shares of the Company. Such shares, if held for a period of three years, attract an award of free matching shares. Currently participants receive one matching share for each partnership share purchased. During 2008, 1,504 participants contributed to the Plan (2007: 1,394) and purchased 3,574,374 partnership shares (2007: 365,577). During 2008, the Plan was extended so as to allow all relevant employees who joined the Group from 3 July 2007 (the date of the merger) to participate. Details of awards held during the year by Executive Directors appear on page 51.

Overseas plans

The Company has all-employee stock purchase plans in the US and in Canada which are broadly equivalent to those operated in the UK. No Executive Director is, or was at any time during 2008, a member of either of these plans. During 2009, the US plan will be extended so as to allow all relevant employees who joined the Group at the time of the merger to participate.

Performance graph

The graph opposite shows the Company's performance, measured by TSR for the five-year period to 31 December 2008, compared with the performance of the FTSE 100 and the FTSE 350 Share Index also measured by TSR. The FTSE 350 Share Index has been selected for this comparison due to the fact that this index provides the most relevant comparator index for Company performance for the duration of the measurement period shown. The FTSE 100 is included as it is used as a comparator group for TSR performance in the Taylor Wimpey Performance Share Plan.

Other matters affecting share plans

The rules of the Company's share plans provide for the early vesting or exercise of share entitlements in certain circumstances. In line with the ABI Guidelines, in the event of death or cessation of employment due to a change of control or sale of business, awards would be pro-rated and early vesting would be subject to the judgement and discretion of the Remuneration Committee which would ordinarily take into account the performance of the Company as at the date of the event.

In the event of a participant leaving due to incapacity, redundancy or normal retirement pro-rating of awards would occur but the three year performance period would remain.

In accordance with the plan rules and as indicated in previous Directors' Remuneration Reports, EPS figures for the purpose of performance measurement of share incentive schemes are restated in accordance with International Financial Reporting Standards.

Details of the sources of shares issued or transferred during the year to meet maturing or vesting rights under the Company's share-based reward schemes, and the potential further requirement for shares to satisfy options and awards outstanding at the end of the year, are shown in Note 26 to the consolidated financial statements. Share plans are also compliant with ABI dilution guidelines.

The Company's current intention is that any further requirement for shares in respect of share plans will wherever it is possible to do so be substantially met by utilising treasury shares, transferred by gift for all-employee share plans and sold at market price for its discretionary share plans, to its Employee Share Ownership Trusts. Where there are relatively small requirements for shares, mainly for overseas plans, these will continue to be met for administrative convenience from other sources, including new issue and market purchase.

Share retention and target Director shareholdings

The Remuneration Committee has approved guidelines relating to target shareholdings in the Company and share retention requirements in respect of shares received under long term incentive plans. The purpose of the guidelines is to align the interests of Directors and senior management with those of shareholders through the creation of a community of interest. The guidelines and requirements are set out below:

1. Within five years of 1 January 2008 or from the date of appointment if later:
   - Executive Directors will be expected to build up a shareholding in Taylor Wimpey broadly equal to 1x base salary;
   - Other Executive Committee members will be expected to build up a shareholding broadly equal to 0.5x base salary.
2. Executive Directors and members of the Corporate, UK and NA leadership teams who participate in the Performance Share Plan ('PSP') and/or the Share Option Plan ('SOP') are expected to retain shares for one year as set out below:
   - 50% of the net amount of any shares that vest under the PSP in the case of Executive Directors and 25% in the case of other participants;
   - 50% of the net gain of shares following the exercise of any executive share options under the SOP and 25% in the case of other participants.
3. The above retention requirements will also apply to shares received by the above categories of executive under the Taylor Woodrow Performance Share Plan and the George Wimpey Long Term Incentive Plan.
4. Shares that vest or are received following the exercise of any option, count towards the targets set out in paragraph 1 above. Subject to the Model Code and any other applicable rules governing dealings in shares and subject to the retention policy set out in paragraph 2 above, such shares may be sold provided that the target holdings are met within the applicable timeframe.
5. Shares that are held on trust for any executive pursuant to the deferred bonus scheme will count towards the target shareholding.
6. The Chairman and the Non Executive Directors are expected to hold shares in the Company in order to align their interests with those of shareholders.

The Committee will keep these guidelines under regular review to ensure that they remain both reasonable and appropriate.

Pension arrangements

Details of the Group's principal UK pension schemes are given in Note 24 on page 82 to the consolidated financial statements.

Taylor Woodrow Pension Schemes

Taylor Woodrow Group Pension and Life Assurance Fund

The Fund was closed to new entrants from 31 March 2002. With effect from 1 September 2004, a restriction was applied so as to limit the amount of any increase in pensionable salary of members of this scheme to the lesser of the actual increase in basic salary or the RPI, subject to a maximum of 5% per annum. The Fund ceased accrual of benefits on 30 November 2006 and from 1 December 2006 existing active Fund members were invited to participate in the PCP, referred to below and to which members and the Company contribute.

Taylor Woodrow Personal Choice Plan

With effect from 1 April 2002 the Company introduced the PCP, a defined contribution pension scheme which all new eligible UK team members are invited to join.

During the year, Peter Johnson was a member of the PCP. The Company contributed to his plan at the rate of 34.5% of his basic salary for the year and he contributed at the rate of 5%. Denis Mac Daid retired from the Board on 30 June 2005. The Company is paying to him by monthly installments the difference between benefits calculated at his assumed retirement date of 5 April 2006 and his actual date of retirement. The annual equivalent of this payment is £20,731 (2007: £20,000). No other arrangements were made during the year for the provision of pensions for former Directors.

George Wimpey Pension Plan

George Wimpey Staff Pension Scheme

Pete Redfern is a member of the Executive section of the George Wimpey Staff Pension Scheme ('Scheme'). The Scheme (now closed to new members) is a funded, Inland Revenue approved, final salary occupational pension scheme. Members contribute between 5% and 10% of salary. Executive members of the Scheme cease to contribute once they have achieved 30 years' pensionable service. Pensions in payment are guaranteed to increase in line with the Retail Price Index to a maximum of 5% per annum (2.5% for all service earned after 6 April 2006).

The Scheme provides executive members with a pension of up to two thirds of pensionable salary (this is capped for members who joined after April 1989) on retirement at age 65, subject to the member having completed 30 years' pensionable service.

Life assurance of up to 4x basic salary and a pension of two thirds of the member's entitlement for spouses on their death in service, or in retirement, are provided, together with a children's allowance of up to 100% of the dependant's pension for three or more children.

Pensionable salary excludes all bonuses, benefits-in-kind and incentive related remuneration. For early retirement, after age 50 but prior to age 65, pensions will be reduced by an appropriate actuarial factor.

Pete Redfern has a pension allowance through additional payments to him, amounting to 25% of the difference between his basic salary and the pension schemes earnings cap. For 2008 a total of £133,767 (2007: £80,000) was paid. Pension allowances do not count towards the calculation of any bonus awards which are based only on base salary.

The Directors' accrued pensions in 2008 are shown on page 52.

George Wimpey Stakeholder Scheme

Ian Sutcliffe, former Director, was not a member of the Scheme and instead, the Company paid an amount equal to 29% of his salary into the George Wimpey designated stakeholder scheme during 2008 until his resignation on 14 April 2008. Payments of £143,294 (2007: £57,000) were paid into the stakeholder scheme on his behalf for the period.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts of employment providing for a maximum of one year's notice. Chris Rickard is entitled to 18 months' notice for the first year of employment. His entitlement will thereafter immediately reduce to 12 months.

Service contracts for all Executive Directors and letters of appointment for all Non Executive Directors are available for inspection as described in the Notice of 2009 Annual General Meeting.

Details of the Directors' contracts are summarised in the table below:

Name	Date of contract	Unexpired term (months)	Notice periods by Company (months)	Notice periods by Director (months)	Normal retirement age	Current age
Pete Redfern	13 October 2004	12	12	12	60	38
Chris Rickard*	20 October 2008	12	18	12	60	52
Former Directors						
Peter Johnson	1 November 2002	12	12	12	60	49
Ian Sutcliffe	23 January 2006	12	12	12	60	49

* Proposed for election at the Annual General Meeting.

It is the Company's policy that liquidated damages should not automatically apply on the termination of an Executive Director's contract. In accordance with this approach, payment for early termination of contract (without cause) by the Company is, in the case of each of the Executive Directors, to be determined having regard to normal principles of English law, which requires mitigation of liability on a case-by-case basis. Any such payment would typically be determined by reference to the main elements of a Director's remuneration, namely: salary; bonus entitlement; benefits-in-kind; and pension entitlements.

Non Executive Directors

No Non Executive Director has a service contract, as their terms of engagement are regulated by letters of appointment as follows:

	Date of appointment as a Director	Date of initial letter of appointment	Term of appointment	Notice period by Company (months)	Notice period by Director (months)
Norman Askew*	29 July 2003	25 July 2003	3 years, reviewed annually	6	6
Mike Davies*	13 October 2003	29 September 2003	3 years, reviewed annually	6	6
Brenda Dean	3 July 2007	21 November 2007	3 years, reviewed annually	6	6
Andrew Dougal	18 November 2002	31 October 2002	3 years, reviewed annually	6	6
Katherine Innes Ker	1 July 2001	21 May 2001	3 years, reviewed annually	6	6
Anthony Reading	3 July 2007	21 November 2007	3 years, reviewed annually	6	6
David Williams	3 July 2007	21 November 2007	3 years, reviewed annually	6	6

* Proposed for re-election at the Annual General Meeting.

The fees of Non Executive Directors were determined by the Board in their absence taking into account the research carried out by Mercer of fees paid to Non Executive Directors of similar sized companies and the sector based peer group. Non Executive Director fees are subject to the aggregate annual limit of £1,000,000 imposed by the Articles of Association and will be reviewed annually.

The basic fees of each Non Executive Director were standardised at £50,000 per annum following the merger in 2007. The Senior Independent Director receives an additional payment of £10,000 in respect of this role. The standard fee for chairing a Board Committee (Audit, Remuneration and Corporate Responsibility) is £10,000. The fees of the Non Executive Directors were not increased during 2008.

Chairman's fees: The Chairman has determined that in light of the prevailing difficult market conditions affecting the Company during 2008, he would reduce his fees from £270,000 per annum down to £200,000 per annum with effect from 1 January 2009. This was subsequently agreed with the Remuneration Committee and endorsed by the Board.

Neither the Chairman nor the Non Executive Directors participate in any of the Company's share plans or bonus plans and are not eligible to join the Company's pension scheme.

Part 2: Audited Information
Directors' emoluments

	Basic salary/fees £000	Salary supplement in lieu of pension £000	Benefits-in-kind £000*	Bonus in respect of 2008 £000	Other benefits £000	2008 total £000	2007 total £000	Basic salary/fee p.a. with effect from 01.01.2009 £000
Executive								
Pete Redfern	700	146	28	–	–	874	1,011	700
Chris Rickard (Appointed 16 October 2008)	80	–	3	–	–	83	–	380
Peter Johnson (Resigned 16 October 2008)[1]	367	–	10	–	414	791	807	–
Ian Sutcliffe (Resigned 14 April 2008)[2]	116	9	–	–	208	333	663	–
Ian Smith (Resigned 3 July 2007)	–	–	–	–	–	–	1,873	–
John Landrum (Resigned 31 July 2007)	–	–	–	–	–	–	838	–
Graeme McCallum (Resigned 16 January 2007)	–	–	–	–	–	–	27	–
Iain Napier (Former Director)	–	–	–	–	–	–	1,083	–
Non Executive								
Norman Askew	270	–	–	–	–	270	219	200
Mike Davies	50	–	–	–	–	50	50	50
Brenda Dean	50	–	–	–	–	50	25	50
Andrew Dougal	60	–	–	–	–	60	57	60
Katherine Innes Ker	60	–	–	–	–	60	55	60
Anthony Reading	60	–	–	–	–	60	30	60
David Williams	60	–	–	–	–	60	30	60
Vernon Sankey (Resigned 3 July 2007)	–	–	–	–	–	–	34	–
Aggregate emoluments	1,873	155	41	–	622	2,691		
2007							6,802	

Aggregate emoluments of the Executive Committee (excluding Executive Directors)

	Basic salary £000	Salary supplement in lieu of pension £000	Benefits-in-kind £000	Bonus in respect of 2008 £000	Company contribution to pension £000	Other benefits £000	2008 total £000	2007 total £000	Basic salary p.a. with effect from 01.01.2009 £000
2 members	668	58	30	1,142	48	–	1,946	6,194**	668

Notes

* Includes non-cash payments.

The above salary details for 2007 in respect of Messrs. Redfern and Sutcliffe reflect the salaries paid for the period 3 July 2007 to 31 December 2007.

The above bonus details for 2007 and 2008 are in each case for the full year.

[1] Peter Johnson received a base salary at the rate of £440,000 p.a. for the period 1 January 2008 to his date of resignation from the Company on 31 October 2008 as shown above. On leaving, he received contractual payments of eight months' basic pay, car allowance and employer's pension contributions which together amounted to £414,000 (2007: nil).

[2] Ian Sutcliffe received a base salary at the rate of £400,000 p.a. for the period 1 January 2008 to his date of resignation from the Company on 14 April 2008 as shown above. On leaving, he received contractual payments of four months' basic pay, company pension contribution and accrued holiday entitlement which together amounted to £199,000 (2007: nil).

In addition, a charge of £65,000 (2007: £30,000) was booked in respect of share-based payments.

** There were 10 members of the Executive Committee during 2007 other than the Executive Directors, relating principally to the pre-merger period.

No expense allowances are paid.

Directors' share-based reward and options

Aggregate emoluments disclosed opposite do not include any amounts for the value of options to acquire ordinary shares in the Company and any other share-based reward granted to or held by the Directors. No Director exercised an option or conditional award over ordinary shares during the year.

Name of Director	Plan	Number of option shares exercised	Exercise price (pence)	Market price at exercise date (pence)	Gains on exercise 2008 £	Gains on exercise 2007 £
Peter Johnson	Performance Share Plan	–	–	–	–	317,727
	Bonus Plan	–	–	–	–	264,232
	Total				–	581,959

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

Name of Director	Plan	1 January 2008[f]	Granted (number)	Lapsed (number)	Exercised (number)	31 December 2008[g]	Exercise price (pence)	Date of grant	Date from which exercisable	Expiry date
Pete Redfern	Bonus Plan	–	207,255[d]	–	–	207,255	–	13.3.08	31.12.10	31.12.10
	Performance Share Plan	–	432,981[a]	–	–	432,981	–	17.4.08	17.4.11	17.4.11
	Share Option Plan	–	1,016,333[b]	–	–	1,016,333	137.75	28.4.08	28.4.11	28.4.18
	Long Term Incentive Plan	200,068	–	200,068	–	–	–	25.5.05	25.5.08	25.5.08
	Long Term Incentive Plan	179,007	–	–	–	179,007	–	23.5.06	23.5.09	23.5.09
	Long Term Incentive Plan	231,940	–	–	–	231,940	–	2.4.07	2.4.10	2.4.10
	Total	611,015	1,656,569	200,068	–	2,067,516				
Chris Rickard	Performance Share Plan	–	2,338,461[c]	–	–	2,338,461	–	16.10.08	16.10.11	16.10.11
	Share Option Plan	–	4,676,923[c]	–	–	4,676,923	16.25	16.10.08	16.10.11	16.10.18
	Total	–	7,015,384	–	–	7,015,384				
Peter Johnson	Sharesave	8,037	–	–	–	8,037	197.2	7.10.03	17.10.08	16.4.09
	Bonus Plan:		43,610[d]	–	–	43,610	–	13.3.08	31.10.08	–
	Matching award	9,858	–	–	–	9,858	–	7.4.06	4.3.09	16.10.09
	Matching award	59,253	–	–	–	59,253	–	10.4.07	4.3.09	16.10.09
	Performance Share Plan	–	272,159[c]	–	–	272,159	–	17.4.08	4.3.09	16.10.09
	Performance Share Plan	132,410	–	132,410	–	–	–	7.9.05	7.9.08	6.9.10
	Performance Share Plan	92,406	–	–	–	92,406	–	12.4.06	4.3.09	16.10.09
	Performance Share Plan	82,941	–	–	–	82,941	–	2.4.07	4.3.09	16.10.09
	Share Option Plan	–	638,838[b]	–	–	638,838	137.75	28.4.08	4.3.09	16.10.09
	Total	384,905	954,607	132,410	–	1,207,102				
Ian Sutcliffe	Sharesave	3,410	–	–	–	3,410	276.98	21.9.06	15.4.08	14.10.08
	Bonus Plan:	–	137,698[d]	137,698	–	–	–	13.3.08	–	–
	Long Term Incentive Plan	222,480	–	–	–	222,480	–	23.5.06	23.5.09	23.5.09
	Long Term Incentive Plan	156,626	–	–	–	156,626	–	2.4.07	2.4.10	2.4.10
	Total	382,516	137,698	137,698	–	382,516				

a. Market value per share on date of grant 17 April 2008 was 158.75 pence

b. Market value per share on date of grant 28 April 2008 was 132.25 pence

c. Market value per share on date of grant 16 October 2008 was 12 pence

d. Market value per share on date of original award (representing 82.4% of this figure) of 13 March 2008 was 163.4 pence and on date of dividend re-investment thereon (representing the balance of 17.6%) of 7 July 2008 was 47.5 pence

e. Market value per share on date of original award of 13 March 2008 was 163.4 pence

f. Or date of appointment

g. Or date of resignation

There have been no variations to the terms and conditions or performance criteria for outstanding share options during the financial year.

The performance criteria relating to the Performance Share Plans, Share Option Plans and Deferred Bonus Plan appear earlier in this Directors' Remuneration Report.

No performance targets were achieved for normal vesting under the Performance Share Plans or Deferred Bonus Plan during 2008 and all applicable options and conditional share awards under those plans have lapsed.

Awards made pursuant to the George Wimpey LTIP are conditional and do not vest in whole or part unless predetermined performance conditions are satisfied over a three year period. The performance conditions are explained in detail on page 46. The number of awards made to each participant is calculated with reference to a formula based on a maximum of 2x salary as at 1 January in each year and the average closing share price for each dealing day within a 90 day period ending on the day before the award is made. For 2005, 2006 and 2007, the relevant share prices were 437.1 pence, 544.1 pence and 575.9 pence. The TSR Performance in respect of those shares conditionally awarded under the 2006 George Wimpey LTIP was not met. No vesting has taken place and the award has now lapsed. These shares are however indexed in the 31 December 2008 column above for Pete Redfern.

The market price of the ordinary shares at 31 December 2008 was 13.5 pence and the range during the year was 4.4 pence to 204.75 pence.

Directors' interests in shares of the Company

Directors' interests in 25 pence ordinary shares held (fully paid):

	at 1.1.08 25p ordinary shares*	at 31.12.08 25p ordinary shares	Executive Directors' share interests at 31.12.08 valued at 31.12.08 share price and expressed as a percentage of basic salary at 1.1.09
Norman Askew	15,674	15,674	
Pete Redfern	92,705	92,705	1.8%
Chris Rickard	–	–	0%
Mike Davies	15,000	15,000	
Brenda Dean	8,348	8,348	
Andrew Dougal	5,000	5,000	
Katherine Innes Ker	1,000	1,000	
Anthony Reading	20,000	20,000	
David Williams	8,269	8,269	

* or date of appointment

Directors' pension entitlements

Defined benefit schemes

George Wimpey Staff Pension Scheme

Pete Redfern is a member of the George Wimpey Staff Pension Scheme. The following table sets out the transfer value of his accrued benefits under the Scheme calculated in a manner consistent with 'The Occupational Pension Schemes (Transfer Values) Regulations 2008'.

	Accrued pension as at 31 December 2007 £	Increase in accrued pension from 31 December 2007 to 31 December 2008 £	Accrued pension as at 31 December 2008[1] £	Transfer value gross of Directors' contributions at 31 December 2008[2] £	Transfer value gross of Directors' contributions at 31 December 2007[2] £	Increase in transfer value from 31 December 2007 to 31 December 2008 less Directors' contributions [3] £	Increase in accrued pension from 31 December 2007 to 31 December 2008 less inflation £	Transfer value of accrued pension increase less Director's contribution[4] £
Pete Redfern	17,547	3,460	20,907	298,200	162,100	124,100	2,483	22,167

Notes

1. Pension accrual shown is the amount which would be paid annually on retirement based on service to 31 December 2008.
2. Transfer values have been calculated in accordance with the occupational Pension Schemes (Transfer Value) Regulations 2008.
3. The increase in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements.
4. The transfer value of accrued pension increase less Director's contribution represents the incremental value to the Director of his service during the period, calculated on the assumption service terminated at the year end. It is based on the increase in accrued pension (less inflation) after deducting the Director's contribution.

Non-Group pension arrangements

Chris Rickard has non-Group pension arrangements, to which contributions were paid by the Company as set out below:

	2008 £	2007 £
Chris Rickard	17,417	–

Approval

This Remuneration Report was approved by the Board of Directors on 30 April 2009 and signed on its behalf by the Remuneration Committee Chairman:

Anthony Reading
30 April 2009

Independent Auditors' Report

to the members of Taylor Wimpey plc

We have audited the Group financial statements of Taylor Wimpey plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 37. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent Company financial statements of Taylor Wimpey plc for the year ended 31 December 2008.

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 auditors' 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 Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group financial statements and the part of the Directors' Remuneration Report to be audited 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 Group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Separate opinion in relation to IFRSs

As explained in the accounting policies note to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board (the 'IASB').

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs as issued by the IASB, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, UK
30 April 2009

Financial Statements
Consolidated Income Statement
for the year to 31 December 2008

	Note	Before exceptional items 2008 £m	Exceptional items (note 5) 2008 £m	Total 2008 £m	Before exceptional items (restated) 2007 £m	Exceptional items (note 5) 2007 £m	Total (restated see note 1) 2007 £m
Continuing operations							
Revenue	3	**3,467.7**	**–**	**3,467.7**	4,142.8	–	4,142.8
Cost of sales		**(3,138.2)**	**(1,012.8)**	**(4,151.0)**	(3,443.8)	(289.7)	(3,733.5)
Gross profit/(loss)		**329.5**	**(1,012.8)**	**(683.3)**	699.0	(289.7)	409.3
Net operating expenses	5	**(243.2)**	**(871.7)**	**(1,114.9)**	(263.5)	(90.0)	(353.5)
Profit/(loss) on ordinary activities before finance costs and amortisation of brands		**88.7**	**(1,780.6)**	**(1,691.9)**	439.2	(349.7)	89.5
Amortisation of brands		**(2.4)**	**(103.9)**	**(106.3)**	(3.7)	(30.0)	(33.7)
Profit/(loss) on ordinary activities before finance costs		**86.3**	**(1,884.5)**	**(1,798.2)**	435.5	(379.7)	55.8
Interest receivable		**8.5**	**–**	**8.5**	9.0	–	9.0
Finance costs	7	**(177.1)**	**(10.5)**	**(187.6)**	(121.8)	–	(121.8)
Share of results of joint ventures	15	**7.6**	**–**	**7.6**	23.4	–	23.4
(Loss)/profit on ordinary activities before taxation		**(74.7)**	**(1,895.0)**	**(1,969.7)**	346.1	(379.7)	(33.6)
Taxation (charge)/credit	8	**(23.4)**	**100.0**	**76.6**	(103.2)	(70.2)	(173.4)
(Loss)/profit for the year from continuing operations		**(98.1)**	**(1,795.0)**	**(1,893.1)**	242.9	(449.9)	(207.0)
Discontinued operations							
(Loss)/profit for the year from discontinued operations	31	**(2.5)**	**55.6**	**53.1**	10.3	–	10.3
(Loss)/profit for the year		**(100.6)**	**(1,739.4)**	**(1,840.0)**	253.2	(449.9)	(196.7)
Attributable to:							
Equity holders of the parent	28			**(1,841.3)**			(197.9)
Minority interests				**1.3**			1.2
				(1,840.0)			(196.7)

	Note	2008	2007
Interim dividend per ordinary share	9	**–**	5.5p
Final dividend per ordinary share	9	**–**	10.25p
Basic and diluted loss per share – total Group	10	**(174.8p)**	(24.2p)
Basic and diluted loss per share – continuing operations	10	**(179.8p)**	(25.5p)
Adjusted basic (loss)/earnings per share – continuing operations	10	**(9.4p)**	29.5p
Adjusted diluted (loss)/earnings per share – continuing operations	10	**(9.4p)**	29.4p

Financial Statements
Consolidated Statement of Recognised Income and Expense
for the year to 31 December 2008

	Note	2008 £m	2007 £m
Exchange differences on translation of foreign operations	28	**19.1**	21.7
Actuarial (loss)/gain on defined benefit pension schemes	24	**(90.2)**	91.3
Tax on items taken directly to equity	16	**(23.7)**	(28.5)
Net (expense)/income recognised directly in equity		**(94.8)**	84.5
Loss for the year		**(1,840.0)**	(196.7)
Total recognised expense for the year	30	**(1,934.8)**	(112.2)
Attributable to:			
Equity holders of the parent		**(1,936.1)**	(113.4)
Minority interests		**1.3**	1.2
	30	**(1,934.8)**	(112.2)

Financial Statements
Consolidated Balance Sheet
at 31 December 2008

	Note	2008 £m	2007 £m
Non-current assets			
Goodwill	11	–	699.8
Other intangible assets	12	–	120.5
Property, plant and equipment	14	15.5	39.0
Interests in joint ventures	15	67.7	59.9
Trade and other receivables	19	47.9	76.4
Deferred tax assets	16	6.6	117.7
		137.7	1,113.3
Current assets			
Inventories	17	4,890.6	6,017.8
Trade and other receivables	19	181.3	391.3
Tax receivables		90.4	16.8
Cash and cash equivalents	19	752.3	130.0
		5,914.6	6,555.9
Total assets		6,052.3	7,669.2
Current liabilities			
Trade and other payables	22	(1,170.7)	(1,540.3)
Tax payables		(196.5)	(154.4)
Debenture loans	21	(101.1)	(1.4)
Bank loans and overdrafts	20	(23.4)	(12.2)
Provisions	25	(56.1)	(48.2)
		(1,547.8)	(1,756.5)
Net current assets		4,366.8	4,799.4
Non-current liabilities			
Trade and other payables	22	(342.1)	(388.4)
Debenture loans	21	(868.0)	(823.3)
Bank loans	20	(1,289.1)	(708.5)
Retirement benefit obligations	24	(279.8)	(219.1)
Deferred tax liabilities	16	(1.3)	(29.8)
Provisions	25	(51.0)	(38.4)
		(2,831.3)	(2,207.5)
Total liabilities		(4,379.1)	(3,964.0)
Net assets		1,673.2	3,705.2
Equity			
Share capital	26	289.6	289.6
Share premium account	27	753.6	758.1
Own shares	29	(275.7)	(282.0)
Merger relief reserve	28	–	1,934.2
Other reserves	28	64.7	46.1
Retained earnings	28	838.3	957.1
Equity attributable to equity holders of the parent		1,670.5	3,703.1
Minority interests		2.7	2.1
Total equity		1,673.2	3,705.2

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2009. They were signed on its behalf by:

P Redfern
Director

C Rickard
Director

Financial Statements
Consolidated Cash Flow Statement
for the year to 31 December 2008

	Note	2008 £m	2007 £m
Net cash from/(used in) operating activities	32	**153.6**	(163.3)
Investing activities			
Interest received		**11.0**	2.3
Dividends received from joint ventures		**7.7**	24.4
Amounts invested in software development	12	**(2.5)**	(0.4)
Proceeds on disposal of property, plant and investments		**17.6**	17.3
Purchases of property, plant and investments	14	**(10.9)**	(13.6)
Amounts invested in joint ventures		**(5.2)**	(3.1)
Amounts repaid by joint ventures		**–**	10.6
Acquisition of subsidiaries		**–**	31.0
Disposal of subsidiaries	31	**(11.9)**	–
Net cash from investing activities		**5.8**	68.5
Financing activities			
Dividends paid	9	**(107.9)**	(117.3)
Dividends paid by subsidiaries to minority shareholders		**(0.7)**	(1.1)
Proceeds from sale of own shares		**2.7**	4.7
Purchase of own shares		**–**	(251.6)
New bank loans raised		**–**	2,083.8
New debenture loans raised		**–**	256.2
Repayment of debenture loans		**(1.4)**	(52.1)
Repayment of bank loans		**–**	(1,944.6)
Increase in bank loans and overdrafts		**525.7**	0.5
Net cash from/(used in) financing activities		**418.4**	(21.5)
Net increase/(decrease) in cash and cash equivalents		**577.8**	(116.3)
Cash and cash equivalents at beginning of year		**130.0**	236.5
Effect of foreign exchange rate changes		**44.5**	9.8
Cash and cash equivalents at end of year	32	**752.3**	130.0

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated below. The ability of the Group to continue as a going concern is reliant upon the continued availability of external debt financing. The deterioration of the housing market in 2008 in the geographies in which the Group operates called into question the Group's ability to continue to trade within the covenants set out in certain of its debt agreements. This led to the Group renegotiating the terms and conditions of, and covenants within, its external debt facilities. The amended agreements were signed in April 2009. The continued availability of this external financing is dependent upon the Group's ability to generate sufficient cash to service its debt and to continue to operate within and adhere to the covenants and other terms and conditions set out in the debt agreements. The Group has continued to meet all interest and other payment obligations on time from debt resources available to it, and after reviewing cash flow forecasts (see 'Going concern' below) for a period of not less than 12 months from the date of signing these financial statements and as noted on page 43, the Directors are satisfied that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package is sufficiently robust as to adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted for use in the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee relevant to its operations and effective for accounting periods beginning on 1 January 2008.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

Segmental reporting

The Group is divided into four operating divisions for management reporting and control:

- Housing United Kingdom;
- Housing North America;
- Housing Spain and Gibraltar; and
- Corporate.

The Construction division was disposed of in September 2008, and is presented as a discontinued operation. The results and net assets of a minor residual construction business, primarily based in Ghana and previously included in the Construction business segment are presented within Corporate in 2008. 2007 has been restated for consistency.

These divisions make up the primary segmental analysis in the financial statements. A secondary segmental analysis is provided by geographical split.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

(c) Contracting work

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(d) Interest receivable

Interest income on bank deposits is recognised on an accruals basis.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 'Presentation of Financial Statements'.

Foreign currencies

The individual statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

1. Significant accounting policies continued

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as assets and liabilities denominated in the functional currency of the company in which they arose.

The Group enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the functional currency in accordance with Group policy. It also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to certain overseas subsidiaries (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

Operating leases

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, joint venture, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly-controlled entity, the carrying value of any attributable goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs was retained at the previous UK GAAP amounts, and was subjected to impairment testing at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Other intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs

Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives. Depreciation is charged, where material, on buildings over the expected useful life of the asset. Other assets are depreciated using the straight-line method, on the following bases:

Plant, fixtures and equipment 20–25%; and computer equipment 33%.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit. If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be reviewed for impairment. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs. Derivative financial instruments are measured at fair value.

1. Significant accounting policies continued

Derivative financial instruments and hedge accounting

The Group uses forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the parent Company. Interest rate derivatives are used to manage interest rate risk in respect of borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the income statement for the period.

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

Tender costs for construction

Significant tender costs are treated as recoverable once the Directors consider that it is probable that the contract will be won. This is presumed to be when preferred bidder status is awarded.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Share-based payments

The Group has applied the requirements of IFRS 2 Share based payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 Employee benefits. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

Payments to defined contribution schemes are charged as an expense as they fall due.

Key sources of estimation uncertainty and critical accounting judgments

Estimation of costs to complete

In order to determine the profit that the Group is able to recognise on the proportion of completions for the period, internal site valuations are carried out for each development at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining revenues which may differ from the actual costs incurred and revenues received on completion.

Carrying value of land and work in progress

In order to assess the appropriateness of the carrying value of land and work in progress, the Group is required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write downs are required to ensure inventory is stated at the lower of cost and net realisable value. Given the deterioration in market conditions experienced during the year, the Group has undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work in progress. As a result, the Group has written down the value of its land and work in progress in the UK, US, and Spain by £1,012.8m, as shown in note 5. If there is further significant weakening in any of the Group's major markets, further write downs would be required.

1. Significant accounting policies continued

Impairment of goodwill and other intangible assets

The determination of whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement including an estimate of the future cash flows expected to arise from the cash-generating unit, the future growth rate of revenue and costs, and a suitable discount rate. The estimates of future cash flows used in the 2008 impairment test performed as at 30 June 2008 reflected the current weak trading conditions in the Group's major markets, and as a result, the Group has fully written down the value of its goodwill and other intangible assets as described in note 13. Impairment of goodwill may not be reversed. If the current weak trading conditions reverse, the impairment provision relating to other intangible assets may reverse in part or in whole.

Pensions

The value of plan assets and liabilities is determined based on various long term actuarial assumptions, including future rates of inflation, salary growth, yields, returns on investments and mortality rates. Changes in these assumptions over time and differences to the actual outcome will be reflected in the Group's statement of recognised income and expense. Note 24 details the main assumptions in accounting for the Group's defined benefit pension schemes.

Tax and deferred tax

Aspects of tax accounting require management judgment and interpretation of tax legislation across many jurisdictions in some cases relating to items which may not be resolved with the relevant tax authority for many years.

In determining the carrying amounts of deferred tax assets, management is required to assess the timing of the utilisation of provisions for tax purposes and the extent to which sufficient taxable profit will be available to enable the asset to be recovered.

Going concern

The Group has prepared forecasts, which have been reviewed by the Directors, based on estimates and judgments about the economic environment in each of the Group's major markets, including housing demand, interest rates and foreign exchange rates and the Group's operational performance, including average selling prices and build costs. The Directors consider that these forecasts demonstrate an adequate level of headroom for the next 12 months over the available funding and minimum covenant levels in the revised debt agreements which were entered into on 7 April 2009 and further details of which are set out in Note 37 on page 93, to allow the Group to operate within the terms of those new financing arrangements. Accordingly, they have adopted the going concern basis of preparation for these financial statements. This is also discussed further within the Corporate Governance Report on page 39.

Adoption of new and revised standards and interpretations

Standards, amendments and interpretations effective in 2008

IAS 39 (Amendment) – Financial Instruments. Provided various criteria are met, the amendment allows certain non-derivative financial assets to be reclassified out of fair value through profit and loss into one of three other categories; or out of available for sale and into loans and receivables. All reclassifications must be made at the fair value of the financial asset at the date of reclassification. This interpretation does not have an impact on the Group's financial statements.

IFRIC 11, IFRS 2 – Group and treasury share transactions. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction. IFRIC 14 provides guidance on the amount of surplus that an entity may recognise on its balance sheet in respect of defined benefit pension schemes, and on the impact of minimum or committed funding obligations on the measurement of a net surplus or deficit. This interpretation does not have an impact on the Group's financial statements.

Standards and interpretations in issue but not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

IAS 1 (revised) Presentation of Financial Statements (effective from 1 January 2009). The main changes from the current standard will require the Group to:

- Present all non-owner changes in equity in one statement of comprehensive income (effectively combining the current income statement and statement of changes in recognised income and expenses) or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income must be presented separately from the statement of changes in equity;
- Present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement;
- Disclose income tax relating to each component of other comprehensive income; and
- Disclose reclassification adjustments relating to components of other comprehensive income.

This amendment is expected to lead to additional disclosures in the Group's 2009 financial statements.

IAS 23 (Amendment) Borrowing costs (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs is removed. This amendment is not expected to have any impact on the Group's financial statements as, due to the nature of the Group's activities, it is expected to be exempt from the application of this standard.

IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 1 January 2010). Relevant for companies that have puttable financial instruments or instruments, or components of instruments, that impose an obligation on the entity to deliver to another party a pro-rata share of net assets on liquidation only. This amendment is not expected to have any impact on the Group's financial statements.

IAS 39 (Amendment) Eligible hedged items (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The amendment requires that inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. The amendment also permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 1 (revised) First-time Adoption of International Financial Reporting Standards (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The objective of the revised version of IFRS 1 is to improve the structure of the Standard – no new or revised technical material has been introduced. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 2 (Amendment) Vesting conditions and cancellations (effective from 1 January 2009). The amendments change the definitions of vesting conditions and introduce the concept of a "non-vesting condition". Vesting conditions will now be restricted to service and performance conditions only. A performance condition only meets the definition of a vesting condition where it has an implicit service requirement. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The revisions include a greater emphasis on the use of fair value, focusing on changes in control as a significant economic event and focusing on what is given to the vendor as consideration. This amendment is not expected to have any immediate impact on the Group's financial statements.

IFRS 8 Operating segments (effective from 1 January 2009). IFRS 8 amends the current segmental reporting requirements of IAS 14 and requires "management approach" to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes. This standard will apply from the annual period commencing 1 January 2009 and is expected to impact the Group by requiring additional disclosures in the financial statements.

IFRIC 15 Arrangements for the Construction of Real Estate. IFRIC 15 sets out guidance for whether the accounting for the construction of real estate should fall within IAS 18 – Revenue, where a developer sells completed units or, IAS 11 – Construction Contracts, where a developer has been commissioned for a construction by a buyer. This is not expected to have any effect on the Group's financial statements as the Group already complies with this IFRIC.

1. Significant accounting policies continued

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting treatment of hedges taken out to hedge foreign exchange differences arising from differences between a Group and its subsidiary's presentational currencies and hedges of differences between functional currencies. This is not expected to have any effect on the Group's financial statements as the Group already complies with this IFRIC.

IFRIC 17 Distributions of Non-Cash Assets to Owners. The amendment to the interpretation is still subject to endorsement by the European Union. IFRIC 17 requires that distributions of non-cash assets to owners should be recognised and measured at the fair value of the non-cash assets when the dividend is appropriately authorised, and that the difference between the carrying amount of the assets distributed and the dividend payable should be recognised in profit or loss on settlement of the dividend payable. This amendment is not expected to have any impact on the Group's financial statements.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations:
IFRIC 12 Service Concession Arrangements. IFRIC 12 clarifies the accounting for contracts under which an entity contracts to use or operate a public sector asset. The effective date for IFRIC 12 is for periods beginning on or after 1 January 2008, however, this interpretation has not yet been endorsed by the European Union.

IFRIC 13 Customer Loyalty Programmes. IFRIC 13 addresses the accounting by entities that grant loyalty award credits to customers who buy other goods or services.

2. General information

Taylor Wimpey plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 109. The nature of the Group's operations and its principal activities are set out in note 4 and in the Chief Executive's Review on pages 6 to 13.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on pages 58 and 59.

3. Revenue

An analysis of the Group's revenue is as follows:

	2008 £m	2007 (restated) £m
Continuing operations:		
Housing	**3,342.1**	3,947.5
Corporate (including Construction)	**36.2**	37.8
Land sales	**89.4**	157.5
Consolidated revenue	**3,467.7**	4,142.8
Interest receivable	**8.5**	9.0
	3,476.2	4,151.8
Discontinued operations:		
Revenue	**453.4**	571.5
Interest receivable	**0.1**	0.7
	453.5	572.2
Total Group	**3,929.7**	4,724.0

Housing revenue includes £193.0m (2007: £80.9m) in respect of the value of properties accepted in part exchange by the Group.

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into four operating divisions – Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate. These divisions are the basis on which the Group reports its primary segment information. Taylor Woodrow Construction, previously reported as the business segment 'Construction', was disposed of on 9 September 2008, and is disclosed as a discontinued operation. The results and net assets of a minor residual construction operation, primarily based in Ghana and previously included within the Construction segment, are presented within Corporate in 2008. 2007 has been restated for consistency, resulting in an increase in Corporate external sales of £37.8m, and an increase in operating loss before joint ventures, brand amortisation and exceptional items of £10.0m, an increase in profit from joint ventures of £0.1m, an increase in segment assets of £24.9m, an increase in joint ventures of £0.1m and an increase in segment liabilities of £6.8m.

4. Business and geographical segments continued

Segment information about these businesses is presented below:

2008	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Revenue from continuing operations:					
External sales	2,390.1	981.6	59.8	36.2	3,467.7
Result from continuing operations:					
Operating profit/(loss) before joint ventures, brand amortisation and exceptional items	53.2	52.1	(2.4)	(14.2)	88.7
Share of results of joint ventures	(0.2)	7.8	–	–	7.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and amortisation of brands, after share of results of joint ventures	53.0	59.9	(2.4)	(14.2)	96.3
Brand amortisation	(2.4)	–	–	–	(2.4)
Exceptional items	(1,750.4)	(76.6)	(37.4)	(20.1)	(1,884.5)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(1,699.8)	(16.7)	(39.8)	(34.3)	(1,790.6)
Finance costs, net (including exceptional finance costs)					(179.1)
Loss on ordinary activities before taxation					(1,969.7)
Taxation					76.6
Result from discontinued operations:					
Profit for the year from discontinued operations					53.1
Loss for the year – total Group					(1,840.0)

2008	Housing United Kingdom* £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Assets and liabilities:					
Segment operating assets	3,919.9	1,014.8	175.4	25.2	5,135.3
Joint ventures	45.4	22.1	0.2	–	67.7
Segment operating liabilities	(1,379.6)	(359.1)	(47.6)	(113.4)	(1,899.7)
Net operating assets/(liabilities)	2,585.7	677.8	128.0	(88.2)	3,303.3
Current taxation (net)					(106.1)
Deferred taxation (net)					5.3
Net debt					(1,529.3)
Net assets					1,673.2

* The Group is unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund, a multi-employer pension scheme, on an actuarial basis by entity. However, for the purposes of the 2008 segmental analysis above, the Group has allocated the deficit to Housing United Kingdom as the participating entities materially sit within this business segment. The assets and liabilities of the George Wimpey Staff Pension Scheme have been allocated in their entirety to Housing United Kingdom.

2008	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Other information:					
Property, plant and equipment additions	2.3	1.3	0.1	5.5	9.2
Amortisation of intangibles	6.7	–	–	–	6.7
Depreciation – plant and equipment	3.5	1.5	0.2	2.3	7.5
Other non-cash expenses:					
Provisions recognised	56.8	13.5	0.5	4.4	75.2
Inventory write downs	930.1	104.3	37.4	–	1,071.8
Reversal of inventory write downs	(25.8)	(33.2)	–	–	(59.0)
Impairment of goodwill	694.3	5.5	–	–	699.8
Impairment of other intangible assets	116.3	–	–	–	116.3

4. Business and geographical segments continued

2007 (restated)	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Revenue from continuing operations:					
External sales	3,053.8	986.8	64.4	37.8	4,142.8
Result from continuing operations:					
Operating profit/(loss) before joint ventures, brand amortisation and exceptional items	409.1	53.3	2.2	(25.4)	439.2
Share of results of joint ventures	9.1	14.2	–	0.1	23.4
Profit/(loss) on ordinary activities before finance costs, exceptional items and amortisation of brands, after share of results of joint ventures	418.2	67.5	2.2	(25.3)	462.6
Brand amortisation	(3.7)	–	–	–	(3.7)
Exceptional items	(47.9)	(321.3)	(6.3)	(4.2)	(379.7)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures	366.6	(253.8)	(4.1)	(29.5)	79.2
Finance costs, net					(112.8)
Loss on ordinary activities before taxation					(33.6)
Taxation					(173.4)
Result from discontinued operations:					
Profit for the year from discontinued operations					10.3
Loss for the year – total Group					(196.7)

2007 (restated)	Housing United Kingdom* £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Total £m
Assets and liabilities – continuing operations:					
Segment operating assets	5,350.1	976.7	182.1	64.4	6,573.3
Joint ventures	39.6	20.0	0.2	0.1	59.9
Segment operating liabilities	(1,616.5)	(316.4)	(66.7)	(77.4)	(2,077.0)
Continuing Group net operating assets/(liabilities)	3,773.2	680.3	115.6	(12.9)	4,556.2
Discontinued operations:					
– operating assets					68.0
– operating liabilities					(153.7)
					4,470.5
Goodwill					699.8
Current taxation (net)					(137.6)
Deferred taxation (net)					87.9
Net debt					(1,415.4)
Net assets					3,705.2

* The Group is unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund, a multi-employer pension scheme, on an actuarial basis by entity. For the purposes of the segmental analysis presented in the published 2007 financial statements, the Group allocated the deficit to business segments on the basis of headcount. The 2007 segmental information presented above has been restated to present within Housing United Kingdom, the deficit for this scheme previously included in the Construction business segment following the disposal of the construction business on 9 September 2008, resulting in an increase in segment liabilities for Housing United Kingdom of £67.8m. The allocation is performed solely for the purposes of providing a meaningful segmental analysis and is not an appropriate apportionment in accordance with IAS 19 Retirement benefits. The assets and liabilities of the George Wimpey Staff Pension Scheme have been allocated in their entirety to Housing United Kingdom.

4. Business and geographical segments continued

2007 (restated)	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Total £m
Other information – continuing Group:					
Property, plant and equipment additions	6.2	5.8	0.3	–	12.3
Amortisation of intangibles	5.7	–	–	–	5.7
Depreciation – plant and equipment	3.3	3.6	0.1	–	7.0
Other non-cash expenses:					
Provisions recognised	48.7	28.7	0.6	–	78.0
Inventory write downs	–	283.4	6.3	–	289.7
Impairment of brands	10.0	20.0	–	–	30.0

In addition to the above, there was £1.3m of property, plant and equipment additions and £1.3m of depreciation on plant and equipment in relation to discontinued operations in 2007.

Geographical segments

The Group's operations are located primarily in the United Kingdom and North America. The Group's housing divisions are already segmented geographically above. The construction division, which was disposed of on 9 September 2008, was primarily located in the United Kingdom.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2008 £m	2007 (restated) £m
United Kingdom	**2,390.1**	3,053.8
North America	**981.6**	986.8
Rest of the world	**96.0**	102.2
Total continuing operations	**3,467.7**	4,142.8
Discontinued operation – United Kingdom	**453.4**	571.5
Total Group	**3,921.1**	4,714.3

The following is an analysis of the carrying amount of segment assets, and additions to property and plant, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property and plant	
	2008 £m	2007 £m	**2008 £m**	2007 £m
United Kingdom	**4,592.5**	6,205.9	**2.3**	6.9
North America	**1,251.8**	1,231.8	**1.3**	5.8
Rest of the world	**208.1**	231.5	**5.6**	0.9
Total	**6,052.4**	7,669.2	**9.2**	13.6

5. Net operating expenses and profit on ordinary activities before finance costs

Net operating expenses, continuing operations:	2008 £m	2007 (restated) £m
Administration expenses	**269.0**	270.7
Net other income	**(25.8)**	(7.2)
Exceptional items	**871.7**	90.0
	1,114.9	353.5

Net other income includes profits on the sale of property, plant and equipment and broker fees from mortgage origination services.

Exceptional items, continuing operations:	2008 £m	2007 £m
Land and work in progress write downs	**1,012.8**	289.7
Goodwill impairment	**699.8**	–
Other intangible impairments	**116.3**	30.0
Restructuring costs	**35.1**	60.0
Refinancing costs	**20.5**	–
Exceptional items	**1,884.5**	379.7

Net land and work in progress write downs of £1,012.8m (2007: £289.7m) were required to reduce the carrying value of some of the Group's inventory to the lower of cost and net realisable value, reflecting the deterioration in market conditions first experienced in the US housing market in 2007 and in the UK and European housing markets in 2008, resulting in lower pricing required to maintain satisfactory sales rates in the UK, US and European markets.

Goodwill of £699.8m (2007: nil) and other intangible assets of £116.3m (2007: £30m) were fully impaired in 2008 following a detailed impairment review – further detail on the impairment is set out in note 13.

Restructuring costs of £35.1m (2007: £60m) arose on further restructuring of the UK housing business in response to the deteriorating market conditions during 2008 following on from the post-merger reorganisation of the business in 2007. The costs incurred in both years include redundancy costs and costs incurred in relocating certain functions and operations. A provision for restructuring of £22.1m (2007: £33.6m) remains in the balance sheet at 31 December 2008 – see note 25.

Refinancing costs of £20.5m (2007: nil) were costs incurred in relation to the proposed equity raising in the first half of 2008 and in relation to the refinancing of the Group's debt. Further refinancing costs will be incurred in 2009 on the signing of the new debt agreements.

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging/(crediting):	2008 £m	2007 (restated) £m
Cost of inventories recognised as expense in cost of sales, before write downs of inventories	**2,946.9**	3,285.8
Write-downs of inventories	**1,071.8**	289.7
Reversal of specific write downs of inventories	**(59.0)**	–
Depreciation – plant and equipment	**7.5**	7.0
Amortisation – intangibles*	**123.0**	35.7
Minimum lease payments under operating leases recognised in income for the year	**8.8**	5.1

* The amortisation of intangibles in 2008 includes the impairments of the George Wimpey brand of £103.9m and of software development costs of £12.4m (2007: impairment losses of £30.0m on the Laing and Morrison Homes brands).

5. Net operating expenses and profit on ordinary activities before finance costs continued

The remuneration paid to Deloitte LLP, the Group's external auditors, is as follows:	2008 £m	2007 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts and consolidated financial statements	**0.2**	0.3
The audit of the Company's subsidiaries pursuant to legislation	**0.6**	0.7
Total audit fees	**0.8**	1.0
Other services pursuant to legislation	**0.1**	0.1
Tax services	**0.3**	0.3
Corporate finance services	**2.2**	0.7
Other services	**0.6**	0.1
Total non-audit fees	**3.2**	1.2
Total fees	**4.0**	2.2

Non-audit services in 2008 predominantly relate to work required as a result of Deloitte LLP's role as auditors, or work resultant from knowledge and experience gained as part of the role. Corporate finance services include necessary work related to the Group's proposed equity raising and subsequent advice and support with bank renegotiations. It also includes work performed in connection with the disposal of the construction business. Their work was either the subject of a competitive tender or was best performed by the Group's auditors because of their knowledge of the Group. Tax services include tax compliance work for certain subsidiaries, as well as advice in connection with a restructuring of the Group. Other services include advice in respect of the Group's forecasting and cash management procedures. See page 41 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.

6. Staff costs

Total Group	2008 Number	2007 Number
Average number employed		
Housing United Kingdom including corporate office	**4,063**	4,744
Housing North America	**1,158**	1,173
Housing Spain and Gibraltar	**105**	171
Construction – continuing and discontinued*	**2,743**	3,639
	8,069	9,727
United Kingdom	**5,090**	6,175
Overseas	**2,979**	3,552
	8,069	9,727

* Of the 2,743 average staff number in 2008, 1,102 related to the disposed construction business (2007: 1,441).

	2008 £m	2007 £m
Remuneration		
Wages and salaries	**255.3**	314.2
Redundancy costs	**17.9**	15.4
Social security costs	**27.3**	34.0
Other pension costs	**12.7**	16.3
	313.2	379.9

The information required by the Companies Act 1985 and the Listing Rules of the Financial Services Authority is contained on pages 44 to 52 in the Directors' Remuneration Report.

7. Finance costs

Finance costs from continuing operations are analysed as follows:	2008 £m	2007 (restated) £m
Interest on bank overdrafts and loans	**72.5**	45.9
Interest on debenture loans	**55.4**	47.4
Movement on interest rate derivatives	**10.8**	5.4
	138.7	98.7
Unwinding of discount on land creditors and other payables	**26.7**	19.3
Notional net interest on pension liability (note 24)	**11.7**	3.8
	177.1	121.8
Exceptional finance costs:		
Loan and debenture fees	**10.5**	–
	187.6	121.8

The exceptional finance costs relate to the write off of the remaining unamortised bank loan and debenture fees relating to the Group's financing arrangements which were in place throughout 2008. The amortisation of these fees was accelerated due to the refinancing of the Group's debt arrangements (see note 37).

8. Tax

Tax (credited to)/charged in the income statement for continuing operations is analysed as follows:

		2008 £m	2007 (restated) £m
Current tax:			
UK corporation tax:	Current year	**(124.3)**	85.6
	Prior years	**6.0**	(9.4)
Relief for foreign tax		**–**	(5.0)
Foreign tax:	Current year	**(22.8)**	18.0
	Prior years	**–**	16.9
		(141.1)	106.1
Deferred tax:			
UK:	Current year	**32.7**	(8.6)
	Prior years	**–**	4.9
Foreign:	Current year	**31.8**	80.9
	Prior years	**–**	(9.9)
		64.5	67.3
		(76.6)	173.4

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable loss (2007: profit) for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax recognised in the Group statement of recognised income and expense is due to actuarial gains on post-retirement liabilities at the prevailing rate in the relevant jurisdiction, and the write off of the deferred tax asset relating to post-retirement liabilities. This includes the effect of the change in the UK rate of corporation tax from 30% to 28% from 1 April 2008.

8. Tax continued

The (credit)/charge for the year can be reconciled to the loss per the income statement as follows:	2008 £m	2007 (restated) £m
Loss before tax	(1,969.7)	(33.6)
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	(561.4)	(10.1)
Under provision in respect of prior years	6.0	3.5
Tax effect of share of results of joint ventures	–	(2.6)
Tax effect of expenses that are not deductible in determining taxable profit	205.6	14.0
Non-taxable income	(8.4)	(18.5)
Effect of higher rates of tax of subsidiaries operating in other jurisdictions	(1.4)	(14.5)
Losses not recognised	217.2	12.1
Net reduction in deferred tax assets previously recognised	65.8	189.4
Other	–	0.1
Tax (credit)/charge for the year	(76.6)	173.4

The tax credit for the year includes an amount in respect of exceptional items of £100.0m (2007: £70.2m charge). This is made up of a credit of £91.6m (2007: £14.9m) in respect of UK tax and a credit of £8.4m (2007: £85.1m charge) in respect of US tax.

The charge in the UK and the US reflects a write off of deferred tax assets held by the Group, the utilisation of which is not seen as probable in the foreseeable future primarily due to the continued and significant weakening of the UK and US markets in the second half of 2008.

9. Dividends

	2008 £m	2007 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2007 of 10.25p (2006: 9.75p) per share	107.9	56.6
Interim dividend for the year ended 31 December 2008 of nil (2007: 5.5p) per share	–	60.7
	107.9	117.3

The Group does not propose to pay a final dividend in respect of the 2008 financial year (2007: £107.9m).

10. Earnings per share

	2008	2007 (restated)
Basic loss per share – total Group	(174.8p)	(24.2p)
Diluted loss per share – total Group	(174.8p)	(24.2p)
Basic loss per share from continuing operations	(179.8p)	(25.5p)
Diluted loss per share from continuing operations	(179.8p)	(25.5p)
Basic earnings per share from discontinued operations	5.0p	1.3p
Diluted earnings per share from discontinued operations	5.0p	1.3p
Adjusted basic (loss)/earnings per share from continuing operations	(9.4p)	29.5p
Adjusted diluted (loss)/earnings per share from continuing operations	(9.4p)	29.4p
Weighted average number of shares for basic (loss)/earnings per share – million	1,053.1	818.5
Weighted average number of shares for diluted (loss)/earnings per share – million	1,053.1	818.5
Weighted average number of shares for adjusted diluted (loss)/earnings per share – million	1,053.1	821.0

For 2008, 57.4m potential ordinary shares have been excluded from the calculation of the weighted average number of shares as they are anti-dilutive. For 2007, 25.5m potential ordinary shares were excluded from the calculation of the weighted average number of shares as they were anti-dilutive, except in the case of adjusted diluted earnings per share which included 2.5m of dilutive potential ordinary shares.

Under the Override Agreement (see note 37), on 30 April 2009 the Company agreed to issue 57.9m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. Had the warrants been issued in the 2008 financial year, they would have been anti-dilutive and not included in the calculation of weighted average number of shares for the year.

10. Earnings per share continued

Adjusted basic and adjusted diluted (loss)/earnings per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying performance of the continuing Group. A reconciliation from loss from continuing operations attributable to equity shareholders used for basic and diluted loss per share to that used for adjusted (loss)/earnings per share is shown below:

	2008 £m	2007 (restated) £m
Loss from continuing operations for basic loss per share and diluted loss per share	**(1,894.4)**	(208.2)
Add exceptional items (see notes 5 and 7)	**1,895.0**	379.7
(Deduct)/add tax effect of exceptional items	**(100.0)**	70.2
(Loss)/profit from continuing operations for adjusted basic and adjusted diluted (loss)/earnings per share	**(99.4)**	241.7

11. Goodwill

	£m
Cost and carrying amount	
At 1 January 2007	363.1
Acquisition of George Wimpey	336.8
Changes in exchange rates	(0.1)
At 31 December 2007	699.8
Impairment loss recognised in the year	(699.8)
At 31 December 2008	**–**

As a result of the 2008 impairment test, the Group has fully impaired all goodwill associated with both the Housing United Kingdom business segment (2007 carrying value: £694.3m), and the Housing North America business segment (2007 carrying value: £5.5m) see note 13 below for further details.

12. Other intangible assets

	Brands £m	Software development costs £m	Total £m
Cost			
At 1 January 2007	–	–	–
Acquisition of George Wimpey Plc	140.0	15.8	155.8
Additions	–	0.4	0.4
Changes in exchange rates	0.2	–	0.2
At 31 December 2007	140.2	16.2	156.4
Additions	–	2.5	2.5
At 31 December 2008	**140.2**	**18.7**	**158.9**
Amortisation/impairment			
At 1 January 2007	–	–	–
Charge for the year	(3.7)	(2.0)	(5.7)
Impairment loss for the year (note 13)	(30.0)	–	(30.0)
Changes in exchange rates	(0.2)	–	(0.2)
At 31 December 2007	(33.9)	(2.0)	(35.9)
Charge for the year	(2.4)	(4.3)	(6.7)
Impairment loss for the year (note 13)	(103.9)	(12.4)	(116.3)
At 31 December 2008	**(140.2)**	**(18.7)**	**(158.9)**
Carrying amount			
31 December 2008	**–**	**–**	**–**
31 December 2007	106.3	14.2	120.5

As a result of the 2008 impairment test, the Group has fully impaired all other intangible assets (2007: £30m) – see note 13 below for further details.

13. Impairment

The Group is required to test goodwill for impairment on an annual basis or sooner when there are indicators that it might be impaired, and to test other intangible assets for impairment if there are indications that the assets might be impaired. The significant downturn in the UK housing market in early 2008 as well as the ongoing deterioration in the US market led to the Group performing a full impairment test on intangible assets at the half year reporting date. As a result, the Group fully impaired all remaining goodwill, brands and software development costs. The impairment losses recognised within operating expenses in the Group's income statement were as follows:

Business Segment:	Goodwill £m	Brands £m	Software development costs £m	2008 Total £m	Goodwill £m	Brands £m	Software development costs £m	2007 Total £m
Housing United Kingdom	**694.3**	**103.9**	**12.4**	**810.6**	–	10.0	–	10.0
Housing North America	**5.5**	**–**	**–**	**5.5**	–	20.0	–	20.0
	699.8	**103.9**	**12.4**	**816.1**	–	30.0	–	30.0

Housing United Kingdom

In the first half of 2008 it became apparent that the weakness seen in the US housing market in 2007 had extended to the UK housing market as mortgage availability reduced sharply and consumer confidence was eroded by both falling house prices and wider economic uncertainty. The effect of this on the UK business segment was seen in year-on-year declines in average selling prices and the number of completions (on a pro forma basis) and at the half year the UK business took a significant write down in the value of its inventory to reflect its revised estimate of the net realisable value of its land and work in progress. As a result, the Group performed a full impairment test on its other intangible assets and goodwill at the half year. The impairment test showed that the discounted cash flows forecast to be generated by the UK business segment were lower than the carrying value of the segment assets by an amount greater than the aggregate value of the goodwill, brands and capitalised software development costs associated with the segment and therefore, in accordance with IAS 36 Impairment of Assets, the Group fully impaired all remaining goodwill of £694.3m, brands of £103.9m and other intangible assets of £12.4m.

Housing North America

The US housing market experienced decline in 2007 and despite some initial stabilisation in early 2008 market conditions continued to decline across the year. In particular certain US markets which had remained resilient to the downturn in 2007 were affected in 2008, including the market to which the 2007 goodwill balance of £5.5m related. As a result the Group has now fully impaired the remaining goodwill of £5.5m associated with its North American Housing segment.

Key Assumptions

For the purpose of impairment testing of goodwill and other intangible assets, the Group's cash-generating units were determined at the level of business segment. The impairment tests were performed by comparing the carrying value of each cash-generating unit with its recoverable value, determined on the basis of the cash-generating unit's value in use. The value in use was calculated as the present value of the future cash flows expected to be derived over the next 20 years from the cash-generating unit related to the goodwill or intangible asset, using the latest management-approved business plan as the source of the cash flows for the first three years, and a pre-tax discount rate of 12% (2007:12%) which was considered to be the Group's view of an appropriate risk adjusted pre-tax discount rate for the UK housing market. The other key assumptions used in the value in use calculations for both business segments were as follows:

Initial three-year forecast period	Decline in completions from 2007 pro forma*, based on industry forecasts for the UK and US housing markets Average selling prices lower than 2008 average prices in the six months to 30 June 2008 based on industry forecasts for the UK and US housing markets Gross margin consistent with experience to 30 June 2008, based on the Group's past experience of build and infrastructure costs relative to selling prices No account taken of expected but not yet committed operating cost savings
Years four and five	Growth in annual completions, based on internal expectations of recovery in the UK and US housing markets by reference to industry forecasts by year five to levels consistent with the pro forma Group in 2007 Gross margin growth rate of 0%
Forecast period beyond year five	Long-term growth rate of 0%

* Pro forma results reflect the aggregated total of completions or other relevant data points for the combined legacy businesses of Taylor Woodrow plc and George Wimpey Plc as if the merger were effected on 1 January 2007.

As noted above, the 2008 tests were performed as at 30 June 2008 for the purposes of the Group's half year reporting. The UK housing market experienced significant and rapid decline in the second half of the year such that certain of the assumptions used would have been more conservative if the tests had been performed at the year-end date; in particular, the decline in average selling prices in the initial three-year forecast period would have been more acute than the decline assumed in the half year impairment test. However, as the half year test resulted in all goodwill and other intangible assets being fully impaired, this would not have had any impact on the level of impairment loss recorded by the Group.

Under IAS 36, an impairment of goodwill may not be reversed. Should the decline experienced in the UK market reverse, the brand and software development cost impairments may reverse in part or in whole, provided that by the time of the reversal these assets would not already have been fully amortised through the continued charging of systematic amortisation over their useful lives.

14. Property, plant and equipment

	Freehold land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2007	9.6	63.6	73.2
Additions	–	13.6	13.6
Disposals	(1.5)	(13.3)	(14.8)
Acquisition of George Wimpey Plc	1.2	15.2	16.4
Changes in exchange rates	–	0.3	0.3
At 31 December 2007	9.3	79.4	88.7
Additions	–	10.9	10.9
Disposals	(8.1)	(34.4)	(42.5)
Changes in exchange rates	0.3	4.9	5.2
At 31 December 2008	**1.5**	**60.8**	**62.3**
Accumulated depreciation			
At 1 January 2007	–	47.7	47.7
Disposals	–	(6.5)	(6.5)
Charge for the year	–	8.3	8.3
Changes in exchange rates	–	0.2	0.2
At 31 December 2007	–	49.7	49.7
Disposals	–	(14.7)	(14.7)
Charge for the year	–	7.9	7.9
Changes in exchange rates	–	3.9	3.9
At 31 December 2008	**–**	**46.8**	**46.8**

All Freehold land and buildings and all plant and equipment were held at cost at 31 December 2008 (2007: £88.2m held at cost, £0.5m held at 2006 valuation).

Carrying amount	Freehold land and buildings £m	Plant and equipment £m	Total £m
At 31 December 2008	**1.5**	**14.0**	**15.5**
At 31 December 2007	9.3	29.7	39.0

15. Interests in joint ventures

	2008 £m	2007 £m
Aggregated amounts relating to share of joint ventures		
Non-current assets	**–**	–
Current assets	**89.4**	101.6
Total assets	**89.4**	101.6
Current liabilities	**(20.2)**	(40.9)
Non-current liabilities	**(32.5)**	(27.6)
Total liabilities	**(52.7)**	(68.5)
Carrying amount	**36.7**	33.1
Loans to joint ventures	**31.0**	26.8
Total interests in joint ventures	**67.7**	59.9

15. Interests in joint ventures continued

	2008 £m	2007 £m
Share of post-tax profits from joint ventures		
Revenue	**24.2**	81.3
Cost of sales	**(14.5)**	(51.4)
Gross profit	**9.7**	29.9
Net operating expenses	**(1.7)**	(1.6)
Profit on ordinary activities before finance costs	**8.0**	28.3
Finance costs	**(0.2)**	(0.6)
Profit on ordinary activities before tax	**7.8**	27.7
Taxation	**(0.2)**	(4.3)
Share of joint ventures' post-tax results for the year	**7.6**	23.4

The Group has four (2007: five) principal joint ventures.

Particulars of principal joint ventures are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
Great Britain	Greenwich Millennium Village Limited*	50%
	Strada Developments Limited*	50%
	Academy Central Limited Liability Partnership*	62%
USA	Taylor Woodrow Communities/Steiner Ranch Limited*	50%

* Interest held by subsidiary undertakings.

16. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	Capital allowances £m	Short term timing differences £m	Brands £m	Inventory adjustments £m	Retirement benefit obligations £m	Total £m
At 1 January 2007	3.1	14.0	–	8.9	68.6	94.6
Credit/(charge) to income	0.4	(15.0)	11.4	(54.9)	(10.1)	(68.2)
Charge to equity	–	(2.6)	–	–	(29.6)	(32.2)
Acquisition of subsidiaries	0.7	12.8	(41.2)	85.6	34.5	92.4
Changes in exchange rates	–	0.8	–	0.5	–	1.3
At 31 December 2007	4.2	10.0	(29.8)	40.1	63.4	87.9
(Charge)/credit to income	(5.5)	(3.0)	29.8	(46.1)	(39.7)	(64.5)
Charge to equity	–	–	–	–	(23.7)	(23.7)
Disposal of subsidiaries	–	(0.4)	–	–	–	(0.4)
Changes in exchange rates	–	–	–	6.0	–	6.0
At 31 December 2008	**(1.3)**	**6.6**	**–**	**–**	**–**	**5.3**

The £23.7m charge to equity comprises a credit of £23.5m in respect of deferred tax on actuarial losses on defined benefit pension schemes taken to the statement of recognised income and expense during the year, and a charge of £47.2m in respect of the write off of the deferred tax asset on retirement benefit obligations.

The recognition of deferred tax assets on capital allowances, short term timing differences and inventory write downs reflects the amount the Group believes is probable to be utilised in the UK and US in future years, which has been assessed in light of the weakening market and general worsening economic conditions in the second half of 2008.

In addition, the deferred tax liability on brands has reduced to nil (2007: £29.8m) as a result of the impairment of those brands. The deferred tax asset recognised on the UK retirement benefit obligations has reduced to nil (2007: £63.4m at 28%), due to a lack of visibility over the ability to recover the scheduled deficit repair payments.

The net deferred tax balance is analysed into assets and liabilities as follows:

	2008 £m	2007 £m
Deferred tax assets	**6.6**	117.7
Deferred tax liabilities	**(1.3)**	(29.8)
	5.3	87.9

16. Deferred tax continued

At the balance sheet date, the Group has unused UK capital losses of £409.2m (2007: £418.0m), of which £271.7m (2007: £296.8m) are agreed as available for offset against future capital profits. No deferred tax asset has been recognised in respect of these losses because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future. In addition, some of the capital losses would be further restricted as to offset dependent on the source within the Taylor Wimpey Group of any gains and previous losses.

The Group has not recognised potential deferred tax assets relating to inventory charges, pension liabilities and tax losses carried forward amounting to £248.3m (2007: nil) in the UK and £303.6m (2007: £189.4m) in the US and £17.3m (2007: £9.7m) in other jurisdictions. Local tax legislation permits losses to be carried forward 20 years in the US, 15 years in Spain and indefinitely in the UK.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant, therefore no deferred tax balance has been recognised.

17. Inventories

	2008 £m	2007 £m
Raw materials and consumables	**1.5**	2.3
Finished goods and goods for resale	**34.4**	106.4
Residential developments:		
Land*	**3,410.3**	3,879.4
Development and construction costs	**1,438.8**	2,019.6
Commercial, industrial and mixed development properties	**5.6**	10.1
	4,890.6	6,017.8

* Details of land creditors are in note 22.

The Directors consider all inventory to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

Non-refundable land option payments of £81.3m (2007: £59.6m) are recorded within 'Residential developments: Land'.

During the year, the Group wrote down the carrying value of certain inventories to net realisable value following a significant deterioration in market conditions. The write down reflects the extent to which current market conditions have lowered management's estimates of selling prices and associated costs to sell for its land and work in progress below the value at which the inventory had previously been held in the balance sheet. The write down of £1,071.8m (2007: £289.7m) is included as an exceptional charge in the consolidated income statement. As a result of this review of the carrying value of inventory, the Group also reversed £59.0m (2007: nil) of write downs which had been previously charged to the income statement where management's estimates of recoverable value for certain land and work in progress had improved. This reversal is treated as exceptional income and netted off the exceptional charge.

18. Construction contracts

	2008 £m	2007 £m
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	**6.0**	57.3
Amounts due to contract customers included in trade and other payables	**(0.8)**	(39.1)
	5.2	18.2
Contract costs incurred plus recognised profits less recognised losses to date	**382.4**	3,684.8
Less: progress billings	**(377.2)**	(3,666.6)
	5.2	18.2

At 31 December 2008, retentions held by customers for contract work amounted to £2.3m (2007: £11.1m). The Group's UK construction business was sold on 9 September 2008 (see note 31). The remaining balances relate to a small construction operation in Ghana which is included in the Corporate business segment, and which was disposed of subsequent to year-end on 21 April 2009.

19. Other financial assets

Trade and other receivables

	Current		Non-current	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade receivables	**127.3**	257.1	**40.0**	41.9
Joint ventures	**–**	9.0	**0.2**	–
Currency and interest rate derivatives	**–**	–	**3.0**	19.9
Other receivables	**54.0**	125.2	**4.7**	14.6
	181.3	391.3	**47.9**	76.4

The average credit period taken on sales is 13 days (2007: 15 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £3.7m (2007: £2.2m). This allowance has been determined by reference to past default experience.

19. Other financial assets continued

Cash and cash equivalents

	2008 £m	2007 £m
Cash and cash equivalents (see note 23)	**752.3**	130.0

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value in both years.

20. Bank loans and overdrafts

	2008 £m	2007 £m
Bank overdrafts repayable on demand	**22.6**	12.2
Bank loans	**1,289.9**	708.5
	1,312.5	720.7
Amount due for settlement within one year	**23.4**	12.2
Amount due for settlement after one year	**1,289.1**	708.5
Total bank borrowings	**1,312.5**	720.7

	Bank overdraft £m	Bank loans £m
Analysis of borrowings by currency:		
31 December 2008		
Sterling	**0.1**	**1,030.0**
Canadian dollars	**18.4**	**–**
Euros	**–**	**106.3**
Ghanaian cedis	**4.1**	**–**
US dollars	**–**	**153.6**
	22.6	**1,289.9**
31 December 2007		
Sterling	0.7	295.0
Canadian dollars	8.0	–
Euros	–	–
Ghanaian cedis	3.5	–
US dollars	–	413.5
	12.2	708.5

The Directors are unable to estimate reliably the impact of the Group's credit risk on the fair value of the bank loans at 31 December 2008, which was before the successful conclusion of the refinancing (2007: fair value approximates book value). As set out in note 21, at 31 December 2008 the market value of the quoted Eurobonds was 32% of their book value.

Bank borrowings and overdrafts are arranged at floating rates of interest, from 3.82% to 19.75% (2007: 5.25% to 18.0%).

Secured bank loans and overdrafts totalled £23.4m (2007: £4.5m). Secured bank loans and overdrafts are secured on certain fixed asset properties and land.

On 24 December 2008 the Group announced that the providers of its bank facilities and its private placement noteholders had agreed to defer the testing date into 2009 of certain financial covenants which had been due for testing on 31 December 2008. Had this deferral not been obtained, the Group would have been in breach of an interest cover covenant at the year-end which could have resulted in all bank loans being presented as repayable on demand in these financial statements. However, as a result of this deferral, the Group remained in full compliance with all its existing covenants and loan terms in the current and preceding period. The Override Agreement signed on 7 April 2009 includes new financial covenants with which the Group is fully compliant and which supersede those set out in the old financing agreements, including the covenant for which the test was deferred into 2009 – see note 37.

21. Debenture loans

	2008 £m	2007 £m
Unsecured		
Floating rate notes 2008	–	1.4
9.00% US$35m notes 2009	24.7	18.5
5.73% US$110m notes 2009	76.4	55.2
5.53% US$75m notes 2011	52.1	37.6
6.625% £250m guaranteed bonds 2012 (1) (2)	254.5	245.8
6.21% US$70m notes 2012	48.8	35.4
6.80% £30m notes 2012	30.0	30.0
4.72% US$28m notes 2013	18.6	13.2
6.31% US$110m notes 2014	76.5	55.4
6.03% US$175m notes 2014	121.5	87.7
4.98% US$38m notes 2015	25.2	17.7
6.72% US$30m notes 2017	21.1	15.4
5.29% US$30m notes 2018	19.7	13.9
6.375% £200m bonds 2019 (2)	200.0	197.5
Carrying value	969.1	824.7
Fair value (2)	308.8	837.9

(1) The guarantee in respect of the 6.625% £250m guaranteed bond due 2012 was released on 16 January 2004.

(2) The fair value for all debenture loans has been based on the prices indicated for the two listed Eurobonds as at 31 December 2008 on the basis that the discount applied by the market to the listed bonds could be equally applicable to all of the Group's debt. This discount reflected the uncertainty in the market surrounding the Group's debt negotiations at the balance sheet date, which has subsequently been resolved on the signing of the Override Agreement in April 2009.

	2008 £m	2007 £m
Repayable		
Within one year or on demand	101.1	1.4
Total falling due in more than one year	868.0	823.3

Interest rates and currencies of debenture loans:

		Fixed rate debt		
	Floating rate £m	Fixed rate £m	Weighted average interest rate %	Weighted average time until maturity years
31 December 2008				
Sterling (3)	–	484.5	6.53	6.2
US dollars	–	484.6	6.04	4.4
	–	969.1	6.29	5.5
31 December 2007				
Sterling (3)	1.4	473.3	6.53	7.2
US dollars	–	350.0	6.05	5.4
	1.4	823.3	6.33	6.4

(3) Interest on £100.0m (2007: £100.0m) of the 6.625% £250m guaranteed bond 2012 has been swapped from 6.625% to floating rate based on US dollar LIBOR applicable to periods of three months. The above table does not reflect the impact of these swaps.

On 24 December 2008 the Group announced that the providers of its bank facilities and its private placement note holders had agreed to defer the testing date into 2009 of certain financial covenants which had been due for testing on 31 December 2008. Had this deferral not been obtained, the Group would have been in breach of an interest cover covenant at the year end which could have resulted in certain debenture loans being presented as repayable on demand in these financial statements. However, as a result of this deferral, the Group remained in full compliance with all its existing covenants and loan terms in the current and preceding period. The Override Agreement signed on 7 April 2009 includes new financial covenants with which the Group is fully compliant which supersede those set out in the old financing agreements, including the covenant for which the test was deferred into 2009 – see note 37.

22. Trade and other payables

	Current		Non-current	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade payables	562.9	920.6	293.8	376.6
Joint ventures	–	3.4	–	–
Currency and interest rate derivatives	14.4	1.5	–	–
Other payables	593.4	614.8	48.3	11.8
	1,170.7	1,540.3	342.1	388.4

Trade payable days were 26 days (2007: 43 days), based on the ratio of year-end trade payables (excluding sub-contract retentions and unagreed claims of £28.8m (2007: £23.8m) and land creditors) to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £80.1m (2007: £90.1m).

Land creditors (included within trade payables) are due as follows:	2008 £m	2007 £m
Due within one year	355.2	453.7
Due in more than one year	290.1	375.3
	645.3	829.0

Land creditors are denominated as follows:	2008 £m	2007 £m
Sterling	552.5	711.0
US dollars	33.1	42.4
Canadian dollars	35.9	38.4
Euros	23.8	37.2
	645.3	829.0

Land creditors of £492.0m (2007: £570.9m) are secured against land acquired for development, or supported by bond or guarantee.

23. Financial instruments

Capital management

The Group operates within policies and procedures approved by the Board. The Group's capitalisation policy, which was established in 2007, set overall parameters for the consolidated capital structure designed to maintain a strong credit rating for the business and an appropriate funding structure for the assets based on a minimum interest cover and a maximum gearing. Equity, retained profits and long term fixed interest debt have historically been used to finance intangible assets, fixed assets and land. Short term borrowings are primarily used to finance net current assets, other than landbank assets of more than one year, and work in progress. In addition to term borrowings and overdraft facilities, the Group has access to committed revolving credit facilities and has accessed the capital markets from time to time. The rapid deterioration in the UK housing market experienced in 2008, which would have resulted in a breach of one of the Group's financial covenants at 31 December 2008 had the Group not secured a deferral in the testing of that covenant, means that the Group's policy has been temporarily suspended. This suspension is expected to continue throughout the term of the new financing agreements as set out in the Override Agreement (see note 37). The Group's focus is to remain in compliance with all of its financial obligations and to generate cash to reduce its level of borrowings.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets	Note	2008 Carrying value £m	2007 Carrying value £m
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	0.4	17.7
Held for trading	(a)	2.7	2.2
Cash and cash equivalents	(b)	752.3	130.0
Loans and receivables:			
Land receivables	(b)	55.6	108.6
Trade and other receivables	(b)	95.4	192.3
Mortgage receivables	(b)	31.7	16.7
		938.1	467.5

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed, in note 19 include £43.4m (2007: £146.9m) of non-financial assets.

23. Financial instruments continued

Financial liabilities	Note	2008 Carrying value £m	2007 Carrying value £m
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	**1.8**	–
Held for trading	(a)	**12.6**	1.5
Amortised cost:			
Bank loans and overdrafts		**1,312.5**	720.7
Land creditors	(b)	**645.3**	829.0
Trade and other payables	(b)	**701.1**	892.0
Debentures	(c)	**969.1**	824.7
		3,642.4	3,267.9

Land creditors and trade and other payables are included in the balance sheet as trade and other payables for current and non-current amounts.

Current and non-current trade and other payables, as disclosed in note 22, include £152.6m (2006: £206.2m) of non-financial liabilities.

(a) Derivative financial instruments are carried at fair value. The fair values are calculated using quoted market prices relevant for the term, currency and instrument.

(b) The Directors consider that the carrying amount recorded in the financial statements approximates their fair values.

(c) Details of fair values of debenture loans are provided in note 21.

The Group has the following types of derivatives:

	2008 Notional amount	2008 Weighted average fixed	2007 Notional amount	2007 Weighted average fixed
Designated as held for trading:				
Floating £ to fixed £ interest	**£185.0m**	**5.28%**	£235.0m	5.10%
Fixed US$ to floating US$ interest	**US$145.0m**	**5.16%**	US$145.0m	5.16%
Floating US$ to fixed US$ interest	**–**	**–**	US$50.0m	5.63%
Designated as hedging instruments:				
US$160.5m floating US$ to fixed £ interest	**£100.0m**	**6.63%**	£100.0m	6.63%

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy against Sterling: US$nil, €2.5m and C$nil (2007: US$55m and C$90.0m; sell against Sterling: €70.9m). The fair values of the forward contracts are not material as they were entered into on or near 31 December 2008 and mature not more than one month later.

Loss before tax has been arrived at after charging/(crediting) the following gains and losses:	2008 £m	2007 £m
Change in fair value of financial liabilities designated as effective hedged items	**6.9**	1.7
Change in fair value of derivatives designated as effective hedging instruments	**(6.9)**	(1.7)
Change in fair value of derivatives classified as held for trading	**(10.8)**	(5.4)
	(10.8)	(5.4)

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks by the use of fixed or floating rate borrowings, foreign currency borrowings and derivative financial instruments.

23. Financial instruments continued

(a) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. A combination of fixed rate borrowings and interest rate swaps are used to manage the volatility risk such that at the year end, taking all interest rate derivatives into account, fixed rate borrowings are not more than 70% of total borrowings but not less than 50%.

In order to measure the risk, floating rate borrowings and the expected interest cost for the year are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility.

The Group's exposure to, and the way in which it manages interest rate risk, has not changed from the previous year.

On 7 April 2009 the Group agreed new terms for its debt – see note 37.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with policy.

The cross currency, fixed to floating interest rate swaps have been bifurcated for hedging purposes and designated as fair value hedges such that the Group receives interest at a fixed rate of 6.625% based on a nominal value of £100m matching the underlying borrowing and pay US dollar floating rates on a nominal value of US$160.5m. During the period, the hedge was 100% effective (2007: 100%) in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was reduced by £6.9m (2007: increased by £1.7m) which was included in the income statement offsetting the fair value movement of the bifurcated interest rate swap.

A number of derivatives are held which, while providing an economic hedge to the volatility of interest rates, do not satisfy the strict requirements for hedge accounting and are therefore designated as held for trading.

Interest rate sensitivity

The effect on both income and equity, determined based on exposure to non-derivative floating rate instruments at the balance sheet date, for a 1% (2007: 1%) rise in interest rates is £(5.6m) (2007: £(5.8m)), before tax, a 1% (2007: 1%) fall in interest rates gives the same but opposite effect. For derivatives the fair values have been calculated based on market quoted rates adjusted for the sensitivity as shown in the tables below.

Due to seasonal fluctuations the level of net borrowings at the financial year end are not representative of net borrowings during the year and therefore interest rate sensitivity before tax for a reasonably possible 1% (2007: 1%) rise in floating rate instruments as shown below is based on a monthly average for the current period. The table assumes all other variables remain constant and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

1% increase in interest rates	Sensitivity income 2008 £m	Sensitivity equity 2008 £m	Sensitivity income 2007 £m	Sensitivity equity 2007 £m
Derivatives	4.4	4.7	5.3	1.8
Non derivatives (based on average for the year)	(9.5)	(9.5)	(4.6)	(4.6)
	(5.1)	(4.8)	0.7	(2.8)

1% decrease in interest rates	Sensitivity income 2008 £m	Sensitivity equity 2008 £m	Sensitivity income 2007 £m	Sensitivity equity 2007 £m
Derivatives	(4.6)	(4.8)	(5.6)	(1.9)
Non derivatives (based on average for the year)	9.5	9.5	4.6	4.6
	4.9	4.7	(1.0)	2.7

The interest rate sensitivity shown above will be superseded by the terms of the Override Agreement – see note 37.

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates primarily to US dollars, Canadian dollars and the Euro.

The Group is not materially exposed to transaction risks as nearly all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk of accounting for both the income and the net investment held in functional currencies other than Sterling. The net investment risk is partially hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is kept under periodic review.

The Group's exposure to, and the way in which it manages, exchange rate risk has not changed from the previous year.

23. Financial instruments continued

Hedge accounting

The Group designates the bifurcated cross currency swaps such that the nominal amount of US$160.5m (2007: US$160.5m) is used to hedge part of the Group's net investment in US dollar denominated assets and liabilities.

The Group has also designated the carrying value of US$527.5m and €75.0m (2007: US$982.5m and €nil) borrowings as a net investment hedge of part of the Group's investment in US dollar and Euro denominated assets respectively.

The hedge was highly effective throughout the period (2007: 100% effective) and is expected to be highly effective prospectively. The change in the carrying amount of the derivatives which were effective hedging instruments and the change in the carrying value of the borrowings offset the exchange movement on the Group's US dollar and € net investments and are included in the translation reserve.

Foreign currency sensitivity

The Group is primarily exposed to US dollars, Canadian dollars and the Euro. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis, to a 20% increase (2007: 10%) in the respective currencies against Sterling and in accordance with IFRS 7, all other variables remaining constant. A 20% (2007: 10%) decrease in the value of Sterling would have an equal but opposite effect.

The 20% (2007: 10%) change represents a reasonably possible change in the specified foreign exchange rates in relation to Sterling.

	Income sensitivity 2008 £m	**Equity sensitivity 2008 £m**	Income sensitivity 2007 £m	Equity sensitivity 2007 £m
US dollar	**(4.4)**	**10.6**	(15.1)	(20.2)
Canadian dollar	**(0.4)**	**(35.2)**	0.2	(15.6)
Euro	**0.4**	**(14.1)**	0.2	0.2
	(4.4)	**(38.7)**	(14.7)	(35.6)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Group's historical policy was to place surplus cash with banks with a minimum credit rating. This was modified in 2008 due to the uncertainties in the financial sector and where possible surplus cash, when not used to repay borrowings is placed on deposit with the Group's revolving credit facility syndicate banks. In Canada, surplus cash is placed on deposit across a number of banks based on credit rating. Credit risk on derivatives where the fair value is positive is closely monitored and remains within acceptable limits.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that if the risk is not acceptable then the deferred payment must have adequate security either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration risk. A small allowance for credit losses against sundry debtors is held, however, the balance is not material in relation to the gross carrying value of this particular class of financial asset.

Loans made to joint ventures are in most cases part of the investment and carry equity like risk. Other loans to joint ventures are made on normal arm's-length terms which will include security where appropriate and are usually repayable from sales proceeds.

The Group's exposure to credit risk has increased compared to the prior year due to the current policy of maintaining a higher level of liquidity and the general deterioration in credit quality due to the current economic climate.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities and ideally through the use of term borrowings, overdrafts and committed revolving credit facilities with a range of maturity dates to ensure continuity of funding. Future borrowing requirements are forecast on a weekly and monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. The monitoring of this risk during the year identified early that the Group was at risk of breaching one of its debt and private placement covenants, which enabled the Group to commence negotiations with its lenders well in advance of the date that the covenant was due to be tested.

The Group has maintained a higher level of cash balances while the negotiations with its lenders have been continuing. Now that the negotiations have been successfully concluded, these cash balances will be used to repay revolving credit facilities.

In addition to term borrowings and on demand overdraft facilities the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £410.9m (2007: £1,192.9m) and cash and cash equivalents of £752.3m (2007: £103.0m). As a result of successfully concluding negotiations with its lenders in April 2009, the Group now has committed funding until mid-2012 including term loans, committed revolving credit facilities, committed overdrafts, bank guarantee and letter of credit facilities totalling £2,467m. Management believe this level of committed funding is adequate to meet forecast requirements.

23. Financial instruments continued

The maturity profile of the anticipated future cash flows including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis is as follows:

Financial liabilities	Bank loans and overdraft £m	Land creditors £m	Other trade payables £m	Debenture loans £m	Total £m
On demand	**22.8**	**–**	**–**	**–**	**22.8**
Within one year	**60.3**	**410.1**	**634.1**	**160.3**	**1,264.8**
More than one year and less than two years	**59.6**	**83.3**	**40.1**	**54.1**	**237.1**
More than two years and less than five years	**1,379.4**	**118.0**	**13.5**	**463.0**	**1,973.9**
In more than five years	**–**	**38.4**	**13.4**	**554.9**	**606.7**
31 December 2008	**1,522.1**	**649.8**	**701.1**	**1,232.3**	**4,105.3**

Financial liabilities	Bank loans and overdraft £m	Land creditors £m	Other trade payables £m	Debenture loans £m	Total £m
On demand	12.3	–		–	12.3
Within one year	40.8	444.3	848.6	54.1	1,387.8
More than one year and less than two years	42.2	250.3	8.3	124.7	425.5
More than two years and less than five years	809.6	143.5	3.8	430.6	1,387.5
In more than five years	–	30.6	–	514.8	545.4
31 December 2007	904.9	868.7	860.7	1,124.2	3,758.5

The following table represents the undiscounted cash flow profile of the Group's derivative financial instruments and has been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign currency swaps and forward contracts are settled gross except in the case of a default by either party where the amounts may be settled net.

Derivatives	Net-settled derivatives net amount £m	Gross-settled derivatives receivable £m	Gross-settled derivatives payable £m	Total £m
Within one year	**(1.6)**	**9.0**	**(7.3)**	**0.1**
More than one year and less than two years	**(4.8)**	**6.6**	**(5.4)**	**(3.6)**
More than two years and less than five years	**(3.4)**	**113.3**	**(112.3)**	**(2.4)**
In more than five years	**(0.8)**	**–**	**–**	**(0.8)**
31 December 2008	**(10.6)**	**128.9**	**(125.0)**	**(6.7)**

Derivatives	Net-settled derivatives £m	Gross-settled derivatives receivable £m	Gross-settled derivatives payable £m	Total £m
Within one year	2.0	132.1	(130.8)	3.3
More than one year and less than two years	0.1	6.6	(4.5)	2.2
More than two years and less than five years	(1.4)	119.9	(96.4)	22.1
In more than five years	–	–	–	–
31 December 2007	0.7	258.6	(231.7)	27.6

24. Retirement benefit schemes

Retirement benefit obligation comprises gross pension liability of £277.2m (2007: £216.4m) and gross post-retirement health care liability of £2.6m (2007: £2.7m).

The Group operates Defined Benefit and Defined Contribution pension schemes. In the UK, the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) are funded Defined Benefit schemes. The Taylor Woodrow NHS Pension Scheme (TWNHSPS), which was also a Defined Benefit scheme, was disposed of as part of the disposal of the construction business on 9 September 2008. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004. These schemes are managed by boards of trustees. The Group's Defined Benefit schemes are closed to new entrants. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006. An alternative Defined Contribution arrangement, the Taylor Woodrow Personal Choice Plan, is offered to new employees and from 1 December 2006 to employees who previously accrued benefits in the TWGP&LAF. Legacy George Wimpey staff are members of a UK Stakeholder arrangement. Contributions of £8.9m (2007: £11.2m) were charged to income in respect of defined contribution schemes. The Group also operates a number of small overseas pension schemes including defined benefit schemes in the US and Canada. Of the defined benefit pension scheme net deficit of £277.2m (2007: £216.4m) at 31 December 2008, £268.3m (2007: £217.2m) related to the TWGP&LAF and GWSPS schemes in the UK and £8.9m (2007: £0.8m surplus) related to defined benefit schemes in the US and Canada.

The pension scheme assets of the Group's principal defined benefit pension schemes, TWGP&LAF and GWSPS are held in a separate trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees should be nominated by members of the scheme.

The most recent formal actuarial valuation of the TWGP&LAF was carried out at 1 June 2007. The most recent formal actuarial valuation of the GWSPS was carried out at 31 March 2007. The projected unit method was used in all valuations and assets were taken into account using market values.

The next formal valuations of the TWGP&LAF and GWSPS are taking place at 1 June 2010 and 31 March 2010 respectively. The statutory funding objective is that each scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principles adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

In 2008 the Group agreed revised funding schedules with the Trustees of both schemes under which the Group will make annual funding contributions of £20m over eight years in respect of the TWGP&LAF and £25m over 10 years in respect of GWSPS. Following the last valuation of the GWSPS, the ordinary contribution rate was set at 18% of pensionable salaries.

The main financial assumptions, which were used for the triennial funding valuation and are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	GWSPS
RPI inflation	3.15%	3.15%
Discount rate – pre/post-retirement	5.60%	6.75/4.75%
General pay inflation	–	5.15%
Real pension increases	0.00%	0.00%

Valuation results	TWGP&LAF	GWSPS
Market value of assets	£764m	£668m
Past service liabilities	£926m	£883m
Scheme funding levels	82.00%	76.00%

The valuations of the Group's pension schemes have been updated to 31 December 2008 and the position of overseas schemes has been included within the IAS 19 disclosures. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	United Kingdom		North America	
	2008	2007	2008	2007
As at 31 December				
Discount rate for scheme liabilities	6.30%	5.80%	5.80-7.00%	5.30-5.80%
Expected return on scheme assets	5.80-6.45%	6.20-6.25%	5.50-8.00%	5.50-6.60%
General pay inflation	4.30%	4.60%	3.00%	2.60%
Deferred pension increases	2.80%	3.10%	0.00%	0.00%
Pension increases	2.15-3.35%	2.25-3.35%	0.00-3.00%	0.00-3.00%

The basis for the above assumptions are prescribed by IAS 19 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

24. Retirement benefit schemes continued

The current life expectancies (in years) underlying the value of the accrued liabilities for the main UK plans are:

	2008		2007	
Life expectancy at age 65	Male	Female	Male	Female
Member currently age 65	**86**	**89**	84	87
Member currently age 45	**87**	**90**	85	88

The fair value of assets and present value of obligations of the Group's defined benefit pension schemes are set out below:

	Expected rate of return % p.a	United Kingdom £m	North America £m	Total plans £m	Percentage of total plan assets held
31 December 2008					
Assets:					
Equities	**6.90%**	**422.2**	**9.3**	**431.5**	**34%**
Bonds	**6.50%**	**324.2**	**5.8**	**330.0**	**26%**
Gilts	**3.40%**	**474.8**	**–**	**474.8**	**37%**
Other assets	**2.00%**	**44.2**	**–**	**44.2**	**3%**
		1,265.4	**15.1**	**1,280.5**	**100%**
Present value of defined benefit obligations		**(1,533.7)**	**(24.0)**	**(1,557.7)**	
Deficit in schemes recognised as non-current liability		**(268.3)**	**(8.9)**	**(277.2)**	
31 December 2007					
Assets:					
Equities	8.10%	488.0	8.3	496.3	35%
Bonds/Gilts	5.80/4.60%	836.0	4.4	840.4	58%
Other assets	5.50%	97.5	–	97.5	7%
		1,421.5	12.7	1,434.2	100%
Present value of defined benefit obligations		(1,638.7)	(11.9)	(1,650.6)	
(Deficit)/surplus in schemes recognised as non-current liability		(217.2)	0.8	(216.4)	

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on investments (particularly government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class were then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered 'riskier' investments.

It is generally accepted that the yield on equity investments will contain a premium, 'the equity risk premium', to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

A summary of the target asset allocations of the major defined benefit schemes are shown below:

	TWGP&LAF	GWSPS
UK Equities	15%	18%
Non-UK Equities	30%	12%
Index-Linked Gilts	15%	25%
Fixed-Interest Gilts	10%	16%
Other UK bonds	25%	24%
GTAA	–	5%
Property	5%	–

24. Retirement benefit schemes continued

	2008 £m	2007 £m
Amount (charged against)/credited to income:		
Current service cost	**(5.5)**	(5.1)
Curtailment loss	**(0.9)**	–
Settlement loss	**–**	–
Operating cost	**(6.4)**	(5.1)
Expected return on scheme assets	**82.0**	66.1
Interest cost on scheme liabilities	**(93.7)**	(69.9)
Finance charges	**(11.7)**	(3.8)
Total charge	**(18.1)**	(8.9)

The actual return on scheme assets was a loss of £128.4m (2007: gain of £53.4m).

	2008 £m	2007 £m
Actuarial (losses)/gains in the statement of recognised income and expenses:		
Difference between actual and expected return on scheme assets	**(210.4)**	(12.7)
Experience gains arising on scheme liabilities	**(22.1)**	26.7
Changes in assumptions	**142.3**	77.3
Total (loss)/gains recognised in the statement of recognised income and expense	**(90.2)**	91.3

The cumulative amount of actual gains and losses recognised in the statement of recognised income and expense is £73.8m loss (2007: £16.4m gain).

	2008 £m	2007 £m
Movement in present value of defined benefit obligations		
1 January	**1,650.6**	955.6
Changes in exchange rates	**5.6**	0.4
Service cost	**5.5**	5.1
Curtailment gain	**0.9**	–
Plan settlements	**–**	–
Benefits paid and expenses	**(80.4)**	(58.6)
Contributions – employee	**2.0**	1.2
Interest cost	**93.7**	69.9
Acquisitions	**–**	781.0
Actuarial gains	**(120.2)**	(104.0)
31 December	**1,557.7**	1,650.6

	2008 £m	2007 £m
Movement in fair value of scheme assets		
1 January	**1,434.2**	749.7
Changes in exchange rates	**3.0**	0.8
Expected return on scheme assets and expenses	**82.0**	63.6
Contributions – employer and employee	**52.5**	31.2
Benefits paid	**(80.8)**	(56.1)
Plan settlements	**–**	–
Acquisitions	**–**	657.7
Actuarial losses	**(210.4)**	(12.7)
31 December	**1,280.5**	1,434.2

24. Retirement benefit schemes continued

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
History of experience gains and losses:					
Fair value of scheme assets	**1,280.5**	1,434.2	749.7	706.1	627.0
Present value of defined benefit obligations	**(1,557.7)**	(1,650.6)	(955.6)	(925.9)	(769.5)
Deficit in the scheme	**(277.2)**	(216.4)	(205.9)	(219.8)	(142.5)
Difference between actual and expected return on scheme assets:					
Amount	**(210.4)**	(12.7)	24.2	61.4	22.0
Percentage of scheme assets	**16.4%**	1.0%	3.0%	9.0%	4.0%
Experience adjustments on scheme liabilities:					
Amount	**(22.1)**	26.7	0.2	(32.6)	(6.5)
Percentage of scheme liabilities	**1.4%**	2.0%	0.0%	4.0%	0.8%

The estimated amounts of contributions expected to be paid to the TWGP&LAF during 2009 are £20m, to the GWSPS are £31m.

The Group liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value so there is no net effect on the Company liability.

Assumption	Change in assumption	Impact on scheme liabilities £m
Discount rate	Increase by 0.1% p.a.	Decrease by £23.0m
Rate of inflation	Increase by 0.1% p.a.	Increase by £21.0m
Rate of pay inflation	Increase by 0.1% p.a.	Increase by £1.6m
Rate of mortality	Members assumed to live 1 year longer	Increase by £38.0m

The projected liabilities of the defined benefit scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The defined benefit obligation makes allowance for future earnings growth. If all active members were assumed to leave the Company and the allowance for future earnings growth was replaced by an allowance for statutory revaluation, the liabilities would reduce by £15.0m.

The gross post-retirement liability also includes £2.6m at 31 December 2008 (2007: £2.7m) in respect of continuing post-retirement health care insurance premiums for retired long-service employees. The liability is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2008.

The cost is calculated assuming a discount rate of 5% per annum and an increase in medical expenses of 10% per annum. The premium cost to the Group in respect of the retired long-service employees for 2008 was £0.2m (2007: £0.2m).

25. Provisions

	Housing maintenance £m	Restructuring £m	Other £m	Total £m
At 1 January 2007	27.9	–	–	27.9
Additional provision in the year	23.5	52.8	1.7	78.0
Acquisition of George Wimpey Plc	5.8	–	13.9	19.7
Utilisation of provision	(18.7)	(19.2)	(1.2)	(39.1)
Changes in exchange rates	–	–	0.1	0.1
At 31 December 2007	38.5	33.6	14.5	86.6
Additional provision in the year	5.9	35.1	36.0	77.0
Utilisation of provision	(15.0)	(42.2)	(3.4)	(60.6)
Released	(0.7)	(5.2)	(3.2)	(9.1)
Changes in exchange rates	10.3	0.8	2.1	13.2
At 31 December 2008	**39.0**	**22.1**	**46.0**	**107.1**

	£m
Amount due for settlement within one year	**56.1**
Amount due for settlement after one year	**51.0**
31 December 2008	**107.1**

25. Provisions continued

The housing maintenance provision arises principally from warranties and other liabilities on housing sold. Whilst such warranties extend to a period of 10 years, payment of these costs is likely to occur within a period of two years. The Group has a restructuring provision relating to the second stage of the reorganisation of the UK Housing business following the merger with George Wimpey Plc in 2007. It is anticipated that the majority of this provision, which comprises redundancy costs and empty property costs will be utilised within eight years. Other provisions consist of a remedial work provision, provisions for legal claims and other contract-related costs. The remedial work provision covers various obligations, including aftercare at Springfield Environmental Limited which has a legal responsibility of a long term nature for the management of old, completed sites and provisions for losses on construction contracts for which responsibility was retained by George Wimpey Plc group following an asset swap with Tarmac Plc in 1996. Provisions for legal claims and contract-related costs comprise various matters arising across the Group, the majority of which are anticipated to be settled within a three-year period.

26. Share capital

	2008 £m	2007 £m
Authorised:		
2,000,000,000 ordinary shares of 25p each	**500.0**	500.0

	Number of shares	£m
Issued and fully paid:		
1 January 2007	594,150,096	148.5
Acquisition of George Wimpey Plc	563,919,759	141.0
Options exercised	194,175	0.1
US Employee Stock Purchase Plan	30,678	–
31 December 2007	1,158,294,708	289.6
US Employee Stock Purchase Plan	4,493	–
31 December 2008	**1,158,299,201**	**289.6**

During the year, options were exercised on 249,796 (2007: 4,347,240) ordinary shares of which 4,493 (2007: 194,175) were new issues with the balance coming from Treasury/ESOT at varying prices from 148.8p to 226.8p and shares were issued for a total consideration of nil (2007: £4.2m). Additionally, 844 (2007: nil) ordinary shares were awarded to employees for 25 or 40 years' long service. Under the Group's senior executives' share option scheme and executive share option plan, employees held options at 31 December 2008 to purchase 15,467,631 shares (2007: 855,810) at prices between 16.3p and 252.8p per share exercisable up to 16 October 2018. Under the Group's savings-related share option schemes, employees held options at 31 December 2008 to purchase 24,921,300 shares (2007: 7,043,437) at prices between 37.6p and 278.8p per share exercisable up to 31 May 2014. Under the Group's cash bonus deferral plan and executive bonus plan, employees held options at 31 December 2008 in respect of 228,126 shares (2007: 716,604) at nil pence per share exercisable up to 9 April 2010. Under the Group's performance share plan, employees held conditional awards at 31 December 2008 in respect of 7,832,194 shares (2007: 4,512,837) at nil pence per share exercisable up to 16 October 2018. Under the Group's share purchase plan, employees held conditional awards at 31 December 2008 in respect of 3,252,206 shares (2007: 871,812) at nil pence per share. The former George Wimpey plans were acquired as part of the merger in 2007. Under the George Wimpey Sharesave Scheme, employees held options at 31 December 2008 to purchase 1,257,529 shares (2007: 3,378,282) at prices between 164.2p and 276.9p per share exercisable up to 31 May 2012. Under the George Wimpey Executive Option Scheme, employees held awards at 31 December 2008 in respect of 2,908,267 shares (2007: 4,182,473) at prices between 212.6p and 456.7p per share exercisable up to 2 April 2017. Under the George Wimpey Long Term Incentive Plan, employees held awards at 31 December 2008 in respect of 1,507,710 shares (2007: 3,990,182) at nil pence per share exercisable up to 2 April 2010.

Under the Override Agreement (see note 37), the Company agreed to issue 57.9m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. The warrants may be exercised at par by the holder within five years of the date of issue.

27. Share premium account

	£m
Balance at 1 January 2007	758.8
Amortisation of debt transferred from retained earnings	(0.7)
Balance at 31 December 2007	758.1
Amortisation of debt transferred from retained earnings	(4.5)
Balance at 31 December 2008	**753.6**

28. Reserves

	Retained earnings £m	Merger relief reserve £m	Capital redemption reserve	Translation reserve £m	Share-based payment tax reserve £m	Other £m	Total other reserves £m
Balance at 1 January 2007	1,214.3	–	31.5	(19.1)	8.2	6.3	26.9
Dividends paid	(117.3)	–	–	–	–	–	–
Transfers to share premium account	0.7	–	–	–	–	–	–
Share-based payment credit	0.6	–	–	–	–	–	–
Cash cost of satisfying share options	(8.9)	–	–	–	–	–	–
Replacement options granted on acquisition of George Wimpey Plc	2.9	–	–	–	–	–	–
Premium on ordinary shares issued to acquire George Wimpey plc	–	1,934.2	–	–	–	–	–
Actuarial gains net of deferred tax	61.7	–	–	–	–	–	–
Transfer to retained earnings	1.0	–	–	–	–	(1.0)	(1.0)
Net loss for the year	(197.9)	–	–	–	–	–	–
Exchange differences on translation of overseas operations, net of tax	–	–	–	22.0	–	–	22.0
Increase in fair value of hedging derivatives	–	–	–	0.8	–	–	0.8
Decrease for the year	–	–	–	–	(2.6)	–	(2.6)
Balance at 31 December 2007	957.1	1,934.2	31.5	3.7	5.6	5.3	46.1
Dividend paid	(107.9)	–	–	–	–	–	–
Transfer to share premium account	4.5	–	–	–	–	–	–
Share-based payment credit	6.0	–	–	–	–	–	–
Cash cost of satisfying share options	(0.9)	–	–	–	–	–	–
Actuarial losses net of deferred tax	(66.7)	–	–	–	–	–	–
Deferred tax asset write off	(47.2)	–	–	–	–	–	–
Transfer to retained earnings	1,934.7	(1,934.2)	–	–	–	(0.5)	(0.5)
Exchange differences on translation of overseas operations, net of tax	–	–	–	50.3	–	–	50.3
Decrease in fair value of hedging derivatives	–	–	–	(31.2)	–	–	(31.2)
Net loss for the year	(1,841.3)	–	–	–	–	–	–
Balance at 31 December 2008	**838.3**	**–**	**31.5**	**22.8**	**5.6**	**4.8**	**64.7**

Merger relief reserve

In accordance with Section 131 of the Companies Act 1985, the premium on ordinary shares issued on the merger with George Wimpey Plc was recorded as a merger relief reserve. The reserve is not distributable but can be used to:

- Make a bonus issue of fully paid shares;
- Transfer to the profit and loss account reserve an amount equal to the amount that has become realised by virtue of either:
  The disposal of the related investment; or
  An amount written off the related investment and charged against the profit and loss account.

During the year, £1,934.2m (2007: nil) was transferred to retained earnings to offset the write down charged to the profit and loss account of the investment to which the reserve related.

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of parent Company shares, and is not distributable.

Translation reserve

Translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations.

Share-based payment tax reserve

As explained in the statement of accounting policies, an expense is recorded in the Group's income statement over the period from the grant date to the vesting date of share options granted to employees. As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory tax rate, the excess is recorded directly in equity, in this share-based payment tax reserve.

29. Own shares

	£m
Balance at 1 January 2007	45.0
Acquired in the year	251.6
Disposed of on exercise of options	(14.6)
Balance at 31 December 2007	282.0
Disposed of on exercise of options	(6.3)
Balance at 31 December 2008	**275.7**

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market and those held as treasury shares and held by the Taylor Wimpey plc Employee Benefit Trust to satisfy options under the Group's share options schemes.

During the year, Taylor Wimpey plc purchased none of its own shares (2007: 94.8m).

	2008 Number	2007 Number
These comprise ordinary shares of the Company:		
Treasury shares	**92.7m**	102.7m
Shares held in trust for bonus, option and performance award plans	**6.8m**	4.5m
	99.5m	107.2m

Employee Share Ownership Trusts ('ESOTs') are used to hold the Company's shares ('shares') which are either acquired on the market or (during 2008) transferred out of the Company's holding of shares in Treasury. These shares are used to meet the valid exercise and/or vesting of conditional awards (under the DBP and PSP) and options (under the Savings-Related, Executive Share Option, George Wimpey LTIP and Executive Bonus Plans) over shares, and the matching award of shares under the Share Purchase Plan.

During the year, 10.0m (2007: 4.3m) shares were transferred out of the Company's Treasury holding to the ESOTs for this purpose.

The ESOTs' entire holding of shares at 31 December 2008, aggregating 6.7m shares (2007: 4.5m), was covered by outstanding options and conditional awards over shares at that date.

30. Reconciliation of movements in consolidated equity

	2008 £m	2007 £m
Total recognised loss for the year	**(1,934.8)**	(112.2)
Dividends on equity shares	**(107.9)**	(117.3)
New share capital subscribed	**–**	2,075.3
Replacement options granted on acquisition of George Wimpey Plc	**–**	2.9
Transfer of own shares	**6.3**	14.6
Purchase of own shares	**–**	(251.6)
Decrease in share-based payment tax reserve	**–**	(2.6)
Share-based payment charge	**6.0**	0.6
Cash cost of satisfying share options	**(0.9)**	(8.9)
Dividends to minority shareholders	**(0.7)**	(1.1)
Net (decrease)/increase in equity	**(2,032.0)**	1,599.7
Opening equity	**3,705.2**	2,105.5
Closing equity	**1,673.2**	3,705.2

31. Discontinued operations and disposals

Discontinued operations

On 9 September 2008, Taylor Wimpey plc disposed of Taylor Woodrow Construction (TWC) the results of which have been presented as discontinued. The business was sold for £74.0m in cash resulting in a profit on disposal of £55.6m. On disposal, the continuing Group repaid £89.5m of intercompany balances owing to TWC. The cash costs of disposal were £3.4m, and £4.2m of cash was disposed of with the business.

During the period, TWC contributed a £4.3m outflow (2007: £28.4m inflow) to the Group's net operating cash flows, a £0.6m inflow (2007: £10.6m outflow) in respect of investing activities and nil (2007: nil) in respect of financing activities.

The analysis of the result from TWC is as follows:

	2008 £m	2007 £m
Revenue	453.4	571.5
Expenses	(451.3)	(558.1)
Profit on ordinary activities before finance costs and taxation	2.1	13.4
Net interest receivable	0.1	0.7
Profit on ordinary activities before taxation	2.2	14.1
Taxation	(4.7)	(3.8)
(Loss)/profit after tax of discontinued operation	(2.5)	10.3
Gain on disposal of discontinued operation	55.6	–
Tax on gain on sale	–	–
Profit from discontinued operation	53.1	10.3

An analysis of the assets and liabilities of TWC at the date of sale of 9 September 2008, excluding the intercompany receivable balance of £89.5m settled on disposal, and the comparative figures at 31 December 2007 is set out below:

	September 2008 £m	31 December 2007 £m
Property, plant and equipment	9.4	9.1
Investment in joint ventures	0.1	0.1
Trade and other receivables	62.7	59.3
Cash	4.2	7.0
Trade and other payables	(157.2)	(153.7)
Deferred taxation asset/(liability)	0.4	(0.1)
Net liabilities of discontinued operation	(80.4)	(78.3)

Prior to its disposal, TWC, which had been a participating employer in the TWGP&LAF defined benefit pension scheme, transferred all of its past and future obligations under the scheme to another Group company, Taylor Woodrow Developments Limited ('TWD Ltd'), part of the continuing operations of the Group. TWD Ltd is included in the Housing United Kingdom business segment. As a result of this transfer, the net assets of TWC at 31 December 2007 shown in the table above exclude a pension liability of £67.8m which was included in the operating liabilities of the Construction business segment in the 2007 published financial statements and which is now shown within the operating liabilities of the Housing United Kingdom business segment in these financial statements (see note 4). The table above also excludes the 2007 deferred tax asset of £19.2m on the pension liability.

Other disposals

During 2008, the Group also disposed of a mining operation in Ghana for £11m in cash.

Subsequent to the year end, on 21 April 2009, the Group disposed of its remaining construction operations in Ghana to existing local management for £1 in cash.

32. Notes to the cash flow statement

	2008 £m	2007 (restated) £m
(Loss)/profit on ordinary activities before finance costs – continuing	**(1,798.2)**	55.8
– discontinued	**2.1**	13.4
Non-cash exceptional items:		
Impairment of goodwill	**699.8**	–
Impairment of brands and software development	**116.3**	30.0
Land and WIP write downs	**1,012.8**	289.7
Adjustments for:		
Amortisation of brands	**2.4**	3.7
Amortisation of software development costs	**4.3**	2.0
Depreciation of plant and equipment	**7.9**	8.3
Share-based payment charge	**6.0**	0.6
Gain/(loss) on disposal of property and plant	**1.0**	(5.7)
Increase in provisions	**6.8**	38.6
Operating cash flows before movements in working capital	**61.2**	436.4
Decrease/(increase) in inventories	**393.7**	(316.0)
Decrease in receivables	**135.9**	38.9
Decrease in payables	**(390.8)**	(81.6)
Pension contributions in excess of charge	**(44.1)**	(30.0)
Cash generated by operations	**155.9**	47.7
Income taxes received/(paid)	**112.6**	(127.3)
Interest paid	**(114.9)**	(83.7)
Net cash from/(used in) operating activities	**153.6**	(163.3)

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

	2008 £m	2007 £m
Net debt		
Cash and cash equivalents	**752.3**	130.0
Bank overdrafts and bank loans	**(1,312.5)**	(720.7)
Debenture loans	**(969.1)**	(824.7)
Net debt	**(1,529.3)**	(1,415.4)

33. Contingent liabilities and capital commitments

General

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Group has no material capital commitments as at 31 December 2008 (2007: nil).

34. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £m	2007 £m
Within one year	**8.4**	16.1
In more than one year but not more than five years	**26.6**	44.1
After five years	**12.3**	17.4
	47.3	77.6

Operating lease payments principally represent rentals payable by the Group for certain office properties and vehicles.

35. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the paragraphs on 'Executive share-based reward' in the Directors' Remuneration Report on pages 44 to 52.

	2008		2007	
Schemes requiring consideration from participants:	**Options**	**Weighted average exercise price (in £)**	Options	Weighted average exercise price (in £)
Outstanding at beginning of period	**15,460,002**	**2.72**	6,956,315	2.28
Granted during the period	**42,697,752**	**0.69**	2,640,216	2.65
Lapsed during the period	**(11,273,011)**	**2.07**	(421,974)	(2.94)
Exercised during the period	**(242,076)**	**1.92**	(2,142,532)	(2.00)
Acquired with subsidiary	**–**	**–**	8,427,977	2.93
Outstanding at the end of the period	**46,642,667**	**1.01**	15,460,002	2.72
Exercisable at the end of the period	**2,649,887**	**2.58**	3,222,426	2.04

The weighted average share price at the date of exercise for share options exercised during the period was £1.73 (2007: £3.30). The options outstanding at 31 December 2008 had a range of exercise prices from £0.16 to £4.57 (2007: £1.27 to £4.57) and a weighted average remaining contractual life of 6.3 years (2007: 4.8 years).

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plan.

	2008		2007	
Schemes not requiring consideration from participants:	**Options**	**Weighted average exercise price (in £)**	Options	Weighted average exercise price (in £)
Outstanding at beginning of period	**10,091,435**	**–**	8,428,486	–
Granted during the period	**9,695,831**	**–**	2,062,377	–
Lapsed during the period	**(9,047,250)**	**–**	(2,230,286)	–
Exercised during the period	**(7,720)**	**–**	(2,204,708)	–
Acquired with subsidiary	**–**	**–**	4,035,566	–
Outstanding at the end of the period	**10,732,296**	**–**	10,091,435	–
Exercisable at the end of the period	**175,153**	**–**	88,538	–

The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 8.2 years (2007: 4.2 years).

35. Share-based payments continued

For share options with non-market conditions granted during the current and preceding year, the fair value of the options at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2008	2007
Weighted average share price	**£0.38**	£2.81
Weighted average exercise price	**£0.69**	£2.65
Expected volatility	**37%**	30%
Expected life	**3/5 years**	3/5 years
Risk free rate	**4.4%**	5.1%
Expected dividend yield	**0.5%**	3.6%

The weighted average fair value of share options granted during the year is £0.10 (2007: £0.69).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share options with market conditions granted during the current year, the fair value of the options was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2008	2007
Weighted average share price	**£0.69**	£4.92
Weighted average exercise price	**£nil**	£nil
Expected volatility	**40%**	26%
Expected life	**3 years**	3 years
Risk free rate	**4.3%**	5.4%
Expected dividend yield	**0.9%**	3.6%

The weighted average fair value of share options granted during the year is £0.33 (2007: £4.35).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term, however due to the exceptional volatility in this financial year we have excluded the period between 1 May 2008 and 31 October 2008 as allowed by IFRS 2 Share based payment. The expected life used in the model is based on historical exercise patterns.

The Group recognised total expenses of £6.0m and £0.6m related to equity-settled share-based payment transactions in 2008 and 2007 respectively. Of this amount, £1.6m related to the accelerated vesting of share options held by employees of Taylor Wimpey Construction, which was disposed of on 9 September 2008, and which is included in profit from discontinued operations in the income statement.

36. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below. Transactions between the Company and its subsidiaries and joint ventures are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £8.1m (2007: £21.4m). Purchases were based on open market values.

Remuneration of key management personnel

Details of the remuneration of the Directors and the Group Company Secretary and General Counsel and the President and Chief Executive Officer of Taylor Morrison, Inc., who are the key management personnel of the Group, are contained in the audited part of the Remuneration Report on pages 44 to 52 and form part of these financial statements.

37. Post-balance sheet events

On 7 April 2009 the Group successfully reached agreement with its banks and private placement holders regarding a revised covenant and financing package (the Override Agreement). The principal terms of the refinancing consisted of an alignment of all debt maturity dates to 3 July 2012, with extension fees payable on a sliding scale dependent on the length of the extension to those lenders who have agreed to defer repayment of their loans; a day one reduction of the revolving credit facility, resulting in the cancellation of £235m of the £1.65 billion facility; amendments to the margins and coupon rates on borrowings equivalent to an increase of 455 basis points, with the potential for a reduction in the event of an equity raising and subsequent reduction in the Group's gearing level; an additional interest charge in the form of payment in kind (PIK), being cash or equity, which accrues at 1.50% per annum and becomes payable at the earlier of repayment and maturity; possible further additional interest charges, also in the form of PIK, which would accrue in the event that the Company does not meet agreed step downs in the level of facilities of £150m by 30 June 2009 and a further £350m by 30 June 2010; warrants giving all lenders the right to subscribe in cash (exercisable at par) for a combined total of approximately 5% of the Company's ordinary share capital; a reduction in the level of the Group's UK overdrafts from £95m to £45m; guarantees and securities to be available for the currently undrawn committed facilities to be provided to the Group for the duration of the Override Agreement, which total a maximum of £416m.

The existing covenant package has been replaced with a revised financial covenant package which is consistent across all of the Group's borrowings. There are three financial covenants which, if breached, would cause an event of default. These comprise:

- Net operating cash flow covenant which will be tested for the six months to 30 June 2009, the nine months to 30 September 2009 and then on a rolling 12-month basis ending at the end of each quarter. The test is on absolute levels of cash generated or absorbed in each period;
- Consolidated tangible net worth which will be tested on a quarterly basis beginning on 30 June 2009 with varying covenanted minimum amounts over the life of the facilities; and
- An asset leverage cover covenant. This represents the ratio of total consolidated net borrowings to the book value of inventories net of land creditors and is to be tested quarterly from 30 June 2009.

The covenant levels for these three covenants have been set after making allowance for what the Directors consider to be appropriate adverse sensitivities including, inter alia, a further weakening of Sterling relative to the US dollar; a potential increase in interest rates and a possible further decline in UK selling prices. All of these covenants are to be calculated on an adjusted frozen IFRS basis, based on the accounting principles used in these consolidated financial statements.

The financial terms of this agreement were also approved on 30 April 2009 by the requisite numbers of both the Company's 2012 Eurobonds and 2019 Eurobonds and also have the support of the Boards of Trustees of the two UK defined benefit pension schemes with each of whom a Deed of Covenant has been entered into.

In addition, the Group has also agreed to provide operational covenants and information undertakings to its banks and private placement holders.

Independent Auditors' Report

to the members of Taylor Wimpey plc

We have audited the parent company financial statements of Taylor Wimpey plc for the year ended 31 December 2008 which comprise the Balance Sheet and the related notes 1 to 20. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Taylor Wimpey plc for the year ended 31 December 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

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 auditors' 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 Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company 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 parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report.

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the 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 parent company 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent company 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 parent company financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, UK
30 April 2009

Financial Statements
Company Balance Sheet
at 31 December 2008

	Note	2008 £m	2007 £m
Fixed assets			
Investment in Group undertakings	4	**962.8**	2,629.1
		962.8	2,629.1
Current assets			
Debtors	5	**2,587.5**	2,344.4
Cash at bank and in hand		**510.8**	30.4
		3,098.3	2,374.8
Creditors: amounts falling due within one year	6	**(788.1)**	(678.7)
Net current assets		**2,310.2**	1,696.1
Total assets less current liabilities		**3,273.0**	4,325.2
Creditors: amounts falling due after one year	7	**(1,917.1)**	(1,275.7)
Provisions		**(4.0)**	–
Net assets		**1,351.9**	3,049.5
Capital and reserves			
Called-up share capital	9	**289.6**	289.6
Share premium account	10	**753.6**	758.1
Merger relief reserve	11	**–**	934.2
Capital redemption reserve	12	**31.5**	31.5
Translation reserve	13	**89.6**	(50.5)
Profit and loss account	14	**463.2**	1,368.5
Own shares	15	**(275.6)**	(281.9)
Shareholders' funds	18	**1,351.9**	3,049.5

The Company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the parent company profit and loss account.

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2009. They were signed on its behalf by:

P Redfern
Director

C Rickard
Director

1. Significant accounting policies

The following accounting policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of preparation

The Company financial statements have been prepared on a going concern basis. The ability of the Taylor Wimpey plc Group ('the Group') to continue as a going concern is reliant upon the continued availability of external debt financing. The deterioration of the housing market in the geographies in which the Group operates in 2008 called into question the Group's ability to continue to trade within the covenants set out in certain of its debt agreements. This led to the Group renegotiating the terms and conditions of, and covenants within, its external debt facilities. The amended agreements were signed in April 2009. The continued availability of this external financing is dependent upon the Group's ability to generate sufficient cash to service its debt and to continue to operate within and adhere to the covenants and other terms and conditions set out in the debt agreements. The Group has continued to meet all interest and other payment obligations on time from debt resources available to it, and after reviewing cash flow forecasts for a period of not less than 12 months from the date of signing these financial statements, the Directors are satisfied that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package is sufficiently robust as to adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and pronouncements of the Urgent Issues Task Force under the historical cost convention. As permitted by the Companies Act 1985 the Company has not presented its own profit and loss account.

Under Financial Reporting Standard (FRS) 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company, are publicly available.

The Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has not reported transactions with fellow Group undertakings. The Company has also taken advantage of the exemption contained within FRS 29 'Financial Instrument Disclosures' and has not presented any disclosures required by that standard, as disclosures that comply with FRS 29 are included within the Taylor Wimpey plc consolidated financial statements in note 23 on pages 77 to 81.

The principal accounting policies adopted are set out below.

Investments in Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account; if the impairment is not considered to be a permanent diminution in value, it may reverse in a future period to the extent it is no longer considered necessary.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Overseas currencies

Transactions denominated in foreign currencies are recorded in Sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Unrealised exchange differences on intercompany long term loans and foreign currency borrowings, to the extent that they hedge the Company's investment in overseas investments, are taken to translation reserve.

Derivative financial instruments and hedge accounting

The Company uses foreign currency borrowings and currency swaps to hedge its investment in overseas investments. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of investment in overseas operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the profit and loss account. The hedged items are adjusted for changes in exchange rates, with gains or losses from remeasuring the carrying amount being recognised directly in reserves.

Share-based payments

The Company issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments. The cost of equity-settled share-based payments granted to employees of subsidiary companies are borne by the employing company.

Provisions

Provisions are recognised at the Directors' best estimate when the Company has a present obligation as a result of a past event and it is probable that the Company will have to settle the obligation.

Own shares

The cost of the Company's investment in its own shares, which comprise shares held in treasury by the Company and shares held by employee benefit trusts for the purpose of funding certain of the Company's share option plans, is shown as a reduction in shareholders' funds.

Dividends paid

Dividends are charged to the Company's profit and loss reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

2. Particulars of employees

	2008 No.	2007 No.
Directors	**2**	3

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 44 to 52, from Taylor Wimpey Developments Limited and Taylor Wimpey UK Limited. However, it is not practicable to allocate such costs between their services as Executives of Taylor Wimpey Developments Limited and Taylor Wimpey UK Limited and their services as Directors of Taylor Wimpey plc and other Group companies. The remuneration of the Non-Executive Directors, which is wholly attributable to the Company, is disclosed on page 50 of the Remuneration Report. The Company was recharged costs of £6.3m (2007: nil) in respect of staff costs for Directors and employees of subsidiary companies who provided services to Taylor Wimpey plc during the year, which includes amounts in respect of employer contributions to both defined contribution and defined benefit pension schemes. Information in respect of the Group's defined benefit pension schemes is provided in note 24, on pages 82 to 85, to the Taylor Wimpey plc consolidated financial statements. Contributions in respect of the Defined Contribution Scheme for Directors can be found in the Remuneration Report on page 52. There were no outstanding contributions at the year-end.

3. Auditors' remuneration

	2008 No.	2007 No.
External audit services	**0.3**	0.3
Other assurance	**0.5**	0.1
Other services:		
Tax services	**0.1**	0.3
Corporate finance services	**2.2**	0.7

A description of other services is included in note 5 on page 66 to the Group financial statements.

4. Investments in Group undertakings

	Shares £m	Loans £m	Total £m
Cost			
31 December 2007	3,949.2	366.7	4,315.9
Changes in exchange rates	–	140.1	140.1
Additions	7.5	–	7.5
Disposals	(64.0)	–	(64.0)
31 December 2008	**3,892.7**	**506.8**	**4,399.5**
Provision for impairment			
31 December 2007	1,614.7	72.1	1,686.8
Charge for the year	1,749.9	–	1,749.9
Disposals	–	–	–
31 December 2008	**3,364.6**	**72.1**	**3,436.7**
Carrying amount			
31 December 2008	**528.1**	**434.7**	**962.8**
31 December 2007	2,334.5	294.6	2,629.1

All of the above investments are unlisted.

Particulars of principal subsidiary undertakings are listed on page 102, which forms part of these financial statements.

During the year, the Company recognised an impairment charge of £1,749.9m (2007: £1,614.7m) against the carrying value of its investments in subsidiary companies. The impairment reflects the decrease in value of assets in the underlying subsidiaries following the downturn in the housing market in the UK and US.

5. Debtors

	2008 £m	2007 £m
Receivable within one year		
Due from Group undertakings	**2,584.2**	2,305.0
Other debtors	**3.3**	8.2
Prepayments and accrued income	**–**	12.2
Corporation tax debtor	**–**	0.8
Receivable after one year		
Deferred taxation	**–**	0.5
Currency and interest rate derivatives	**–**	17.7
	2,587.5	2,344.4

The movement in the deferred taxation asset is as follows:

	£m
31 December 2007	0.5
Charged to profit and loss account	(0.5)
31 December 2008	**–**

The deferred taxation asset relates to short term timing differences.

6. Creditors: amounts falling due within one year

	2008 £m	2007 £m
Debenture loans	**–**	1.4
Due to Group undertakings	**710.9**	636.2
Other creditors	**2.2**	0.5
Accruals and deferred income	**39.2**	38.2
Currency and interest rate derivatives	**19.9**	2.4
Corporation tax creditor	**15.9**	–
Total	**788.1**	678.7

7. Creditors: amounts falling due after one year

	2008 £m	2007 £m
Debenture loans	**628.0**	568.6
Bank loans	**1,289.1**	707.1
	1,917.1	1,275.7
Bank loans are repayable as follows:		
In more than two years but less than five years	**1,289.1**	707.1
Total falling due in more than one year	**1,289.1**	707.1

8. Debenture loans

	2008 £m	2007 £m
Floating rate notes 2008 – unsecured	**–**	1.4
6.625% £250m bonds 2012 – unsecured	**254.4**	245.8
5.53% US$75m notes 2011 – unsecured	**52.1**	37.6
6.03% US$175m notes 2014 – unsecured	**121.5**	87.7
6.375% £200m bonds 2019 – unsecured	**200.0**	197.5
	628.0	570.0
Repayable		
In more than five years	**321.5**	568.6
In more than one year but less than five years	**306.5**	–
Within one year or on demand	**–**	1.4
	628.0	570.0

9. Share capital

	2008 £m	2007 £m
Authorised:		
2,000,000,000 ordinary shares of 25p each	**500.0**	500.0

	Number of shares	£m
Issued and fully paid:		
31 December 2007	1,158,294,708	289.6
US Employee Stock Purchase Plan	4,493	–
31 December 2008	**1,158,299,201**	**289.6**

During the year, options were exercised on 249,796 (2007: 4,347,240) ordinary shares of which 4,493 (2007: 194,175) were new issues with the balance coming from Treasury/ESOT at varying prices from 148.8p to 226.8p and shares were issued for a total consideration of nil (2007: £4.2m). Additionally 844 (2007: nil) ordinary shares were awarded to employees for 25 or 40 years' long service. Under the Group's senior executives' share option scheme and executive share option plan, employees held options at 31 December 2008 to purchase 15,467,631 shares (2007: 855,810) at prices between 16.3p and 252.8p per share exercisable up to 16 October 2018. Under the Group's savings-related share option schemes, employees held options at 31 December 2008 to purchase 24,921,300 shares (2007: 7,043,437) at prices between 37.6p and 278.8p per share exercisable up to 31 May 2014. Under the Group's cash bonus deferral plan and executive bonus plan, employees held options at 31 December 2008 in respect of 228,126 shares (2007: 716,604) at nil pence per share exercisable up to 9 April 2010. Under the Group's performance share plan employees held conditional awards at 31 December 2008 in respect of 7,832,194 shares (2007: 4,512,837) at nil pence per share exercisable up to 16 October 2018. Under the Group's share purchase plan employees held conditional awards at 31 December 2008 in respect of 3,252,206 shares (2007: 871,812) at nil pence per share. The former George Wimpey plans were acquired as part of the merger in 2007. Under the George Wimpey Sharesave Scheme, employees held options at 31 December 2008 to purchase 1,257,529 shares (2007: 3,378,282) at prices between 164.2p and 276.9p per share exercisable up to 31 May 2012. Under the George Wimpey Executive Option Scheme, employees held awards at 31 December 2008 in respect of 2,908,267 shares (2007: 4,182,473) at prices between 212.6p and 456.7p per share exercisable up to 2 April 2017. Under the George Wimpey Long Term Incentive plan, employees held awards at 31 December 2008 in respect of 1,507,710 shares (2007: 3,990,182) at nil pence per share exercisable up to 2 April 2010.

Under the Override Agreement (see note 20), the Company agreed to issue 57.9m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. The warrants may be exercised at par by the holder within five years of the date of issue.

10. Share premium

	2008 £m	2007 £m
1 January	758.1	758.8
Amortisation of debt transferred from retained earnings	(4.5)	(0.7)
31 December	**753.6**	758.1

11. Merger relief reserve

	2008 £m	2007 £m
1 January	934.2	–
Premium on ordinary shares issued on acquiring 100% equity in George Wimpey Plc	–	1,934.2
Transfer to profit and loss reserve	(934.2)	(1,000.0)
31 December	**–**	934.2

In accordance with section 131 of the Companies Act 1985, the premium on ordinary shares issued on the merger with George Wimpey Plc was recorded as a merger relief reserve.

The reserve is not distributable but can be used to:

- Make a bonus issue of fully paid shares;
- Transfer to the profit and loss account reserve an amount equal to the amount that has become realised by virtue of either:
  The disposal of the related investment; or
  An amount written off the related investment and charged to the profit and loss account.

During the year, £934.2m (2007: £1,000.0m) was transferred to the profit and loss account reserve following an impairment charge being recognised in respect of the George Wimpey Plc investment.

12. Capital redemption reserve

	£m
31 December 2008 and 31 December 2007	**31.5**

13. Translation reserve

	2008 £m	2007 £m
1 January	(50.5)	(44.9)
Transfer from profit and loss reserve	140.1	(5.6)
31 December	**89.6**	(50.5)

14. Profit and loss account

	2008 £m	2007 £m
1 January	1,368.5	1,167.1
Transfers to share premium account	4.5	0.7
Loss for the financial year	(1,595.9)	(687.1)
Dividends	(107.9)	(117.3)
Transfer to translation reserve	(140.1)	5.6
Transfer from merger relief reserve	934.2	1,000.0
Replacement share options on acquisition of subsidiary	–	2.9
Loss on disposal of own shares	(0.1)	(3.4)
31 December	**463.2**	1,368.5

As permitted by section 230 of the Companies Act 1985, Taylor Wimpey plc has not presented its own profit and loss account. The loss of the Company for the financial year was £1,595.9m (2007: £687.1m).

Included in the Company profit and loss account reserve is £290.2m (2007: £290.2m) which is not distributable.

15. Own shares

	2008 £m	2007 £m
Own shares	**275.6**	281.9

These comprise ordinary shares of the Company:	Number	Number
Treasury shares	**92.7**	102.7
Shares held in trust for bonus, options and performance award plans	**6.7**	4.5

The market value of the shares at 31 December 2008 was £13.4m (2007: £218.1m) and their nominal value was £24.9m (2007: £26.8m).

Dividends on these shares have been waived except for 0.01p per share in respect of the shares held in trust.

Employee Share Ownership Trusts ('ESOTs') are used to hold the Company's shares ('shares') which are either acquired on the market or (during 2007) transferred out of the Company's holding of shares in Treasury. These shares are used to meet the valid exercise and/or vesting of conditional awards (under the DBP and PSP) and options (under the Savings-Related, Executive Share Option, George Wimpey LTIP and Executive Bonus Plans) over shares, and the matching award of shares under the Share Purchase Plan.

During 2008, 10.0m shares (2007: 4.3m) were transferred out of the Company's Treasury holding to the ESOTs for this purpose.

The ESOTs' entire holding of shares at 31 December 2008, aggregating 6.7m shares (2007: 4.5m), was covered by outstanding options and conditional awards over shares at that date.

16. Share-based payments

Details of share options granted by the Company to employees of subsidiaries, and that remain outstanding at the year end over the Company's shares are set out in note 35, on page 91, to the Taylor Wimpey plc consolidated financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

17. Contingent liabilities

The Company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts.

Provision is made for the Directors' best estimate of known legal claims and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

During the year, the Company issued a guarantee in respect of the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF), a defined benefit pension scheme in which a number of its subsidiary companies participate, and which had a deficit under IAS 19 of £112.6m at 31 December 2008. The guarantee commits the Company to ensure that the participating subsidiaries make deficit repair contributions in accordance with a schedule agreed with the Trustees during the year of £25m per annum for 10 years.

18. Reconciliation of movement in shareholders' funds

	2008 £m	2007 £m
Opening shareholders' funds	3,049.5	2,016.2
Dividends paid	(107.9)	(117.3)
Loss for the financial year	(1,595.9)	(687.1)
New share capital subscribed	–	2,075.3
Transfer of own shares	6.3	14.5
Purchase of own shares	–	(251.6)
Replacement share options on acquisition of subsidiary	–	2.9
Loss on disposal of own shares	(0.1)	(3.4)
Closing shareholders' funds	**1,351.9**	3,049.5

19. Dividend

The Company does not propose to pay a final dividend in respect of the 2008 financial year (2007: 10.25p per share).

20. Post balance sheet event

On 7 April 2009, the Group successfully reached agreement with its banks and private placement holders regarding a revised covenant and financing package (the Override Agreement). The principal terms of the refinancing consisted of an alignment of all debt maturity dates to 3 July 2012, with extension fees payable on a sliding scale dependent on the length of the extension to those lenders who have agreed to defer repayment of their loans; a day one reduction of the revolving credit facility, resulting in the cancellation of £235m of the £1.65 billion facility; amendments to the margins and coupon rates on borrowings equivalent to an increase of 455 basis points, with the potential for a reduction in the event of an equity raising and subsequent reduction in the Group's gearing level; an additional interest charge in the form of payment in kind (PIK), being cash or equity, which accrues at 1.50% per annum and becomes payable at the earlier of repayment and maturity; possible further additional interest charges, also in the form of PIK, which would accrue in the event that the Company does not meet agreed step downs in the level of facilities of £150m by 30 June 2009 and a further £350m by 30 June 2010; warrants giving all lenders the right to subscribe in cash (exercisable at par) for a combined total of approximately 5% of the Company's ordinary share capital; a reduction in the level of the Group's UK overdrafts from £95m to £45m; guarantees and securities to be available for the currently undrawn committed facilities to be provided to the Group for the duration of the Override Agreement, which total a maximum of £416m.

The existing covenant package has been replaced with a revised financial covenant package which is consistent across all of the Group's borrowings. There are three financial covenants which, if breached, would cause an event of default. These comprise:

- Net operating cash flow covenant which will be tested for the six months to 30 June 2009, the nine months to 30 September 2009 and then on a rolling 12-month basis ending at the end of each quarter. The test is on absolute levels of cash generated or absorbed in each period;
- Consolidated tangible net worth which will be tested on a quarterly basis beginning on 30 June 2009 with varying covenanted minimum amounts over the life of the facilities; and
- An asset leverage cover covenant. This represents the ratio of total consolidated net borrowings to the book value of inventories net of land creditors and is to be tested quarterly from 30 June 2009.

The covenant levels for these three covenants have been set after making allowance for what the Directors consider to be appropriate adverse sensitivities including, inter alia, a further weakening of Sterling relative to the US dollar; a potential increase in interest rates and a possible further decline in UK selling prices. All of these covenants are to be calculated on an adjusted frozen IFRS basis, based on the accounting principles used in these consolidated financial statements.

The financial terms of this agreement were also approved on 30 April 2009 by the requisite numbers of both the Company's 2012 Eurobonds and 2019 Eurobonds and also have the support of the Boards of Trustees of the two UK defined benefit pension schemes with each of whom a Deed of Covenant has been entered into.

In addition the Group has also agreed to provide operational covenants and information undertakings to its banks and private placement holders.

Particulars of Principal Subsidiary Undertakings

Country of incorporation and principal operations	Taylor Wimpey plc interest is 100% in the issued ordinary share capital of these undertakings included in the consolidated accounts
United Kingdom	Taylor Wimpey Holdings Limited (formerly Taylor Woodrow Holdings Limited)
	George Wimpey Limited
	Taylor Wimpey UK Limited*
	Taylor Wimpey 2007 Limited
	Taylor Wimpey (No.4) 2005 Limited* (formerly Taylor Woodrow (No.4) 2005 Limited)
	Wimpey Overseas Holdings Limited*
Canada	Taylor Woodrow Holdings of Canada, Corporation
	Monarch Corporation* **
	Monarch Development Corporation*
Spain	Taylor Woodrow de España S.A.U.* †
USA	Taylor Woodrow Holdings (USA), Inc.*
	Taylor Morrison Holdings of Arizona, Inc.* (formerly Taylor Woodrow Holdings/Arizona, Inc.)
	Taylor Morrison of Florida, Inc.* (formerly Taylor Woodrow Homes Florida Inc.)
	Taylor Morrison of Texas, Inc.* (Morrison Homes of Texas, Inc.)
	Taylor Morrison, Inc.* (formerly Taylor Woodrow, Inc.)
	Taylor Morrison Services, Inc.*

* Interests held by subsidiary undertakings.

** 9.5% non-cumulative, non-voting, redeemable preference shares and 9% non-cumulative, non-voting, redeemable preference shares are additionally held.

† 9% cumulative, redeemable preference shares are additionally held.

Financial Statements
Five Year Review

	2008 £m	2007 £m	2006* £m	2005* £m	2004* £m
Income statement					
Revenue – continuing	**3,467.7**	4,142.8	3,572.1	3,476.9	3,311.5
Profit on ordinary activities before exceptional items, finance costs and tax	**86.3**	435.5	447.7	460.0	478.9
Exceptional items	**(1,884.5)**	(379.7)	–	–	24.8
Net finance costs, including exceptional finance costs	**(179.1)**	(112.8)	(64.2)	(64.0)	(108.6)
Share of results of joint ventures	**7.6**	23.4	22.1	15.0	8.8
(Loss)/profit for the financial year	**(1,969.7)**	(33.6)	405.6	411.0	403.9
Taxation	**76.6**	(173.4)	(115.0)	(124.5)	(123.0)
Profit for the year from discontinued operations	**53.1**	10.3	–	–	–
(Loss)/profit for the financial year	**(1,840.0)**	(196.7)	290.6	286.5	280.9
Balance sheet					
Goodwill	**–**	699.8	363.1	363.9	363.2
Other intangible assets	**–**	120.5	–	–	–
Other fixed assets	**15.5**	39.0	25.5	24.4	24.2
Interests in joint ventures	**67.7**	59.9	56.2	92.1	87.0
Non-current loans and receivables	**47.9**	76.4	56.0	37.2	26.5
Deferred tax asset	**6.6**	117.7	95.4	101.2	71.1
Net current assets (excluding cash and debt)	**3,739.0**	4,683.0	2,261.0	2,097.8	1,936.7
Non-current creditors (excluding debt) and provisions	**(674.2)**	(675.7)	(360.4)	(330.4)	(266.1)
Capital employed	**3,202.5**	5,120.6	2,496.8	2,386.2	2,242.6
Represented by:					
Called-up equity ordinary share capital	**289.6**	289.6	148.5	148.0	146.7
Share premium account	**753.6**	758.1	758.8	756.2	748.1
Merger relief reserve	**–**	1,934.2			
Revaluation reserve	**–**	0.5	1.5	0.5	0.7
Capital redemption reserve	**31.5**	31.5	31.5	31.5	31.5
Other reserve	**4.8**	4.8	4.8	5.4	4.8
Share-based payment tax reserve	**5.6**	5.6	8.2	4.0	2.8
Translation reserve	**22.8**	3.7	(19.1)	29.9	(6.5)
Profit and loss account	**838.3**	957.1	1,214.3	1,006.8	832.5
Own shares	**(275.7)**	(282.0)	(45.0)	(53.9)	(57.8)
Shareholders' funds	**1,670.5**	3,703.1	2,103.5	1,928.4	1,702.8
Minority interests	**2.7**	2.1	2.0	0.9	1.0
Net debt	**1,529.3**	1,415.4	391.3	456.9	538.8
	3,202.5	5,120.6	2,496.8	2,386.2	2,242.6
Statistics					
Number of ordinary shares in issue at year end (millions)	**1,158.3**	1,158.3	594.2	591.9	586.6
Basic (loss)/earnings per share – total Group	**(174.8p)**	(24.2p)	50.5p	50.6p	49.1p
Dividends per ordinary share	**–**	15.75p	14.75p	13.4p	11.1p
Equity shareholders' funds per share	**157.8p**	352.3p	364.7p	338.4p	290.3p
Dividend cover (times)	**n/a**	n/a	3.4	3.8	4.4
Net gearing	**91.5%**	38.2%	18.6%	23.7%	31.6%

* The results of the construction business which was disposed of on 9 September 2008 are included within profit for the year from discontinued operations for 2008 and 2007, and within continuing operations for 2006, 2005 and 2004.

The figures for 2004 were restated in 2005 in respect of the transition from UK GAAP to IFRS.

Dividends per ordinary share comprise the interim and final dividends declared for the year.

Notice of Meeting

This Notice of Meeting is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from a stockbroker, bank manager, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

Notice is hereby given that the seventy fourth Annual General Meeting of Taylor Wimpey plc (the 'Company') will be held on 19 June 2009 at 11.00 am at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE, for the following purposes:

ORDINARY BUSINESS

Ordinary resolutions:

1 To receive the Report of Directors and Accounts together with the Auditors' Report for the year ended 31 December 2008.

2 To elect as a Director, Chris Rickard who was appointed as a Director of the Company by the Board since the last Annual General Meeting.

3 To re-elect as a Director, Norman Askew who retires by rotation as a Director of the Company in accordance with the Articles of Association.

4 To re-elect, as a Director, Mike Davies who retires by rotation as a Director of the Company in accordance with the Articles of Association.

5 To re-appoint Deloitte LLP (previously named Deloitte & Touche LLP) as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and authorise the Audit Committee to fix their remuneration on behalf of the Board.

6 That the Board be and it is hereby generally and unconditionally authorised in substitution for any previous authority or authorities to exercise all powers of the Company:

(i) to allot relevant securities (within the meaning of Section 80 of the Companies Act) up to but not exceeding a maximum aggregate nominal amount of £88,797,189 during the period commencing on the date of passing this Resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2010 save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Board may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this Resolution had not expired, and further

(ii) to allot equity securities (within the meaning of Section 94 of the said Act) in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them up to an aggregate nominal amount of £88,797,189 provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special resolutions:

7 That subject to the passing of Resolution 6, the Board be and it is hereby empowered, pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by the previous Resolution and/or where such allotment constitutes an allotment of equity securities by virtue of Section 94(3A) of the Companies Act 1985 as if sub-section (1) of Section 89 of the Companies Act did not apply to any such allotment, provided that this power shall be limited:

(i) to the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders (excluding any shareholder holding shares as treasury shares) where the equity securities respectively attributable to the interests of such ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £14,478,725;

and shall expire at the conclusion of the Annual General Meeting of the Company in 2010, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Board may allot equity securities in pursuance of such offers and agreements as if the power conferred by this Resolution had not expired.

8 That the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 25 pence each of the Company ('ordinary shares'), provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 115,829,920;

(ii) the minimum price which may be paid for ordinary shares is 25 pence per ordinary share;

(iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which such ordinary share is purchased;

(iv) the authority hereby conferred shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2010 and 18 December 2010 unless such authority is renewed prior to such time save that the Company may make contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may purchase ordinary shares in pursuance of any such contracts as if the authority conferred by this Resolution had not expired.

SPECIAL BUSINESS

Ordinary resolutions:

9 To approve the Directors' Remuneration Report for the year ended 31 December 2008.

10 That in accordance with Section 367 of the Companies Act 2006, the Company and all companies which are its subsidiaries when this Resolution is passed are authorised to:

(a) Make political donations to political parties and/or independent election candidates not exceeding £250,000 in aggregate;

(b) Make political donations to political organisations other than political parties not exceeding £250,000 in aggregate;

(c) Incur political expenditure not exceeding £250,000 in aggregate

during the period beginning with the date of passing this Resolution and ending on 18 December 2010 or, if sooner, at the conclusion of the Annual General Meeting of the Company in 2010.

For the purposes of this Resolution the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by sections 363 to 365 of the Companies Act 2006.

Special resolution:

11 That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Explanation of Resolutions
Ordinary Business
Ordinary Resolutions

Resolution 1: To receive the annual accounts

English company law requires the Directors to lay the annual accounts of the Company for the year ended 31 December 2008 and the reports of the Directors and Auditors before a general meeting of the Company.

As a result of the difficult trading year outlined in the Annual Report and Accounts, the Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2008.

Resolutions 2 to 4: Election of Directors

The current Articles of Association provide that:

- any Director appointed since the previous Annual General Meeting shall retire from office and may seek election;
- each year the nearest whole number to one third (but not exceeding one third), of the Board of Directors (excluding Directors appointed since the previous Annual General Meeting) are required to retire from office by rotation and may seek re-election.

In addition, the Combined Code on Corporate Governance requires each Director to seek re-appointment at least every three years.

The following Directors will therefore retire from office, and all being eligible, will offer themselves for election or re-election (as appropriate):

1) Chris Rickard appointed by the Board since the last Annual General Meeting;

2) Norman Askew retires by rotation in accordance with the Articles of Association and seeks re-election;

3) Mike Davies retires by rotation in accordance with the Articles of Association and seeks re-election.

Details of Directors' service contracts, remuneration and interests in the Company's shares and other securities are given in the Directors' Remuneration Report to shareholders on pages 44 to 52 of the Report and Accounts. Biographical information concerning each Director is on pages 34 and 35 of the Report and Accounts.

The following information is given in support of the Board's proposal for the election or re-election (as appropriate) of these Directors:

Chris Rickard – Group Finance Director

Chris was appointed Group Finance Director on 16 October 2008. Chris qualified as an accountant and was an Audit Manager with PwC, leaving in 1986 to work in industry. Most recently he held the position of Group Finance Director at Whatman Group plc, leaving the business when it was sold to GE Healthcare in April 2008. He has extensive experience of working in the capital intensive manufacturing and services industries, having previously held the position of Group Finance Director at VT Group plc, Weir Group plc and Meggitt plc.

Norman Askew – Chairman

Norman was appointed a Director and Chairman on 29 July 2003. He also chairs the Nomination Committee and is a member of the Corporate Responsibility Committee. His current appointments include the Chairmanship of IMI plc and of the Board of Governors of the University of Manchester.

Mike Davies – Independent Non Executive Director

Mike was appointed a Director on 13 October 2003. He is also a member of the Audit, Remuneration and Nomination Committees. He is Chairman of The Royal Mint, Manchester Airports Group and Marshalls plc and a non executive director of Pendragon plc. He was formerly a director of Williams Holdings plc.

The Board confirms that each of the Directors proposed for election or re-election has recently been subject to formal performance evaluation, details of which are set out in the Corporate Governance Report, and that each continues to demonstrate commitment and to be an effective member of the Board.

Resolution 5: Re-appointment of Deloitte LLP ('Deloitte') as auditors of the Company and authorisation of the Audit Committee to agree their remuneration on behalf of the Board.

In accordance with English company law, the Company is required to appoint auditors at each general meeting at which accounts are laid before the shareholders. It is therefore being proposed that the auditors are appointed from the conclusion of the 2009 Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before shareholders. During the year, Deloitte LLP changed its name from Deloitte & Touche LLP.

During 2007, following the Merger, a competitive tender for future external audit work was carried out and resulted in Deloitte being confirmed as external auditors to the Company. The Board recommends the re-appointment of Deloitte as the Company's auditors and also seeks shareholders' authority for the Audit Committee to determine on behalf of the Board the remuneration of Deloitte for their services. The Board has adopted a procedure governing the appointment of Deloitte to carry out non-audit services, details of which are given in the Corporate Governance Report. Details of non-audit services performed by Deloitte in 2008 are given on page 41 of the Report and Accounts.

Resolution 6: Authority to allot shares

The Board wishes to renew the existing authority to allot relevant securities under the provisions of Section 80 of the Companies Act 1985. It also proposes that it be granted a new, additional authority to allot securities in connection with a rights issue, to allow it, in such circumstances, to meet the proposed accelerated timeline for such issues proposed in the recommendations of the Rights Issue Review Group. Each authority would apply for the period commencing on the passing of this Resolution and ending at the Annual General Meeting of the Company in 2010. It is proposed, in respect of Section 80 allotments, to authorise the Board to allot ordinary shares up to a maximum of £88,797,189 in nominal value (equivalent to 355,188,756 ordinary shares), representing approximately 33.3 per cent of the existing issued ordinary share capital of the Company excluding 92,732,927 treasury shares as at the close of business on 21 April 2009.

It is also proposed, in respect of rights issue allotments, to authorise the Board to allot ordinary shares up to a maximum of £88,797,189 in nominal value (equivalent to 355,188,756 ordinary shares), representing approximately 33.3 per cent of the existing issued ordinary share capital of the Company excluding 92,732,927 treasury shares as at the close of business on 21 April 2009. The Company held 92,732,927 shares in treasury (representing approximately 8.7 per cent of the issued ordinary share capital of the Company excluding treasury shares) as at the close of business on 21 April 2009.

Special Resolutions

Resolution 7: Authority to dis-apply pre-emption rights

The Board wishes to renew the existing authority permitting the Board to allot equity securities for cash for the purpose of a rights issue, open offer or any other pre-emptive offer (including the sale of any ordinary shares held in treasury) to shareholders and otherwise up to £14,478,725 in nominal value (equivalent to 57,914,900 ordinary shares). This represents approximately 4.99 per cent of the Company's issued ordinary share capital as at the close of business on 21 April 2009. The authority would also enable the Board in the event of a rights issue, open offer or other pre-emptive offer to make adjustments to deal with overseas shareholders, fractional entitlements and other legal or practical problems. The authority will expire at the conclusion of the Annual General Meeting of the Company in 2010.

Resolution 8: Authority to make market purchases of shares

In last year's Annual Report, we reported that given the uncertainty of the UK housing market, the Board had decided to suspend the buyback programme until conditions improve. The Board will continue to review the phasing and pace of the buyback programme in light of market conditions. Accordingly, the Board wishes to renew its existing authority to purchase its ordinary shares in the market. Any purchases under the authority would be made in one or more tranches and would be limited in aggregate to 10 per cent of the ordinary shares in issue at the close of business on 21 April 2009. The authority will enable the Company to continue with the share buyback programme announced on 6 August 2007 as and when the Board determines that it is appropriate to do so. Since the announcement of the programme, the Company has purchased a total of 94,799,880 shares for an aggregate consideration of £249,989,801.

The maximum price to be paid on any exercise of the authority would not exceed 105 per cent of the average of the middle market quotations for the Company's ordinary shares for the five business days immediately preceding the date of the purchase. Shares purchased pursuant to these authorities will be held as treasury shares, which the Company can re-issue quickly and cost-effectively, and provides the Company with additional flexibility in the management of its capital base. The total number of shares held as treasury shall not at any one time exceed 10 per cent of the Company's issued share capital. Accordingly, any shares bought back over the 10 per cent limit will be cancelled. Following the purchases made pursuant to the shareholder authority granted on 29 May 2007, and renewed at the Annual General Meeting on 17 April 2008 the Company currently holds a total of 92,732,927 shares in treasury (representing 8.7 per cent of its issued share capital).

The total number of options to subscribe for ordinary shares outstanding as at the close of business on 21 April 2009 was 46,996,702, representing approximately 4.4 per cent of the issued ordinary share capital of the Company (excluding treasury shares) as at that date and approximately 4.5 per cent of the Company's issued ordinary share capital following any exercise in full of this authority to make market purchases.

This authority will last until the earlier of 18 December 2010 and the conclusion of the Company's Annual General Meeting in 2010, unless renewal was sought by further resolution at that meeting.

Special Business

Ordinary Resolutions

Resolution 9: Approval of the Directors' Remuneration Report for the year ended 31 December 2008

The Directors' Remuneration Report for the year ended 31 December 2008 has been prepared in accordance with Schedule 7A to the Companies Act 1985 ('the Companies Act'). Section 241A of the Companies Act requires the Company to submit the report to shareholders for their approval by way of an ordinary resolution for its approval to be put to shareholders and voted on at a general meeting of the Company before which the annual accounts for the financial year are to be laid. The Directors' Remuneration Report is on pages 44 to 52 of the Report and Accounts. The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives. The vote on the Remuneration Report has advisory status in respect of the remuneration policy and overall remuneration packages and is not specific to individual levels of remuneration.

Resolution 10: Authority to make political donations

In order to comply with its obligations under the Companies Act 2006 and to avoid any inadvertent infringement of the Companies Act 2006, the Board wishes to renew its existing authority for a general level of donation. Resolution 10 seeks to renew the existing authority for the Company to make political donations and incur political expenditure. The Companies Act 2006 requires this authority to be divided into three heads with a separate amount specified as permitted for each. We have specified an amount not exceeding £250,000 for each head of the authority, meaning that Resolution 10 would authorise the Company and its subsidiaries together to incur expenditure/make donations of up to £750,000 in aggregate. In accordance with the Companies Act 2006, Resolution 10 extends approval to all of the Company's subsidiaries.

This authority will last until the earlier of 18 December 2010 and the conclusion of the Company's Annual General Meeting in 2010, unless renewal was sought by further resolution at that meeting.

The Company and the Group have not made any donations to political parties since the resolution passed at the previous Annual General Meeting. It is not our policy to do so in the future and we have no present intention of making any significant political donations in the UK. Nevertheless, the Companies Act 2006 defines political organisations very widely and, as a result, in certain circumstances, donations made for charitable or similar purposes may now be treated as a donation to a political organisation. For example, a donation to a humanitarian charity which operates as a political lobby, sponsorship, subscriptions, paid leave to employees fulfiling public duties and payments to industry representative bodies may constitute a donation to a political organisation within the current definitions.

Details of charitable donations appear on page 38 of the Report and Accounts.

Special Resolution

Resolution 11: Notice of general meetings

This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 11 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

By Order of the Board

James Jordan

Group Company Secretary and General Counsel
Taylor Wimpey plc
80 New Bond Street
London W1S 1SB
30 April 2009

Registered in England and Wales
Registration No. 296805

Action to be taken

Whether or not you intend to attend the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's Registrars, Capita Registrars, Proxy Department, P. O. Box 25, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and in any event so as to be received no later than 48 hours before the time appointed for the Annual General Meeting, that is no later than 11.00 am on 17 June 2009. The completion and submission of a form of proxy will not prevent you from attending and voting in person if you so wish.

Your vote is important. The Board requests that all shareholders exercise their right to vote.

Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote in their place. A proxy need not be a shareholder of the Company. The completion and return of a form of proxy does not prevent a shareholder from attending and voting at the meeting in person. To vote, you can either:

- register your vote on-line at www.capitashareportal.com;
- complete and return the form of proxy sent to shareholders with the Chairman's letter, advising them that the Company's Annual Report had been posted on the Company's Web site;
- complete and return the form of proxy enclosed with this Annual Report for shareholders who elected to continue to receive such documents in hard copy;
- use the service provided by Euroclear UK and Ireland Limited for members of CREST;
- attend and vote at the Annual General Meeting in person; or
- have your proxy attend the Annual General Meeting on your behalf.

When submitting a form of proxy, you can cast your vote 'For' or 'Against' the resolutions or use the 'Vote Withheld' option. The outcome of voting on all resolutions will be announced at the Annual General Meeting and to the market and published on our Web site at www.taylorwimpey.com. Shareholders whose shares are held in CREST may use the CREST electronic appointment service to retrieve resolutions and submit proxy instructions. Please refer to the CREST manual for further information on CREST procedures, limitations and system timings.

Beneficial holders of shares with 'information rights'

Section 325 Companies Act 2006 (the 'Act') does not confer on persons nominated to receive information rights under Section 146 of the Act, the right to appoint proxies. Such persons who have received a copy of this Notice of Meeting are hereby informed, in accordance with Section 149 (2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated, to be appointed, or to have someone else appointed, as a proxy for the Annual General Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Such persons should contact the registered member by whom they were nominated in respect of these arrangements.

Recommendation

Your Directors are of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of shareholders as a whole and recommend you to vote in favour of them. Each Director will be doing so in respect of his or her own beneficial shareholdings.

Attendance and voting

As a shareholder of Taylor Wimpey plc, you have the right to attend and vote at the Annual General Meeting. As at 21 April 2009 the Company's issued share capital consisted of 1,158,299,201 ordinary shares carrying one vote each. The total voting rights of the Company as at 21 April 2009 were 1,065,566,274.

Please bring with you the accompanying attendance card and retain it until the end of the Meeting. It will authenticate your right to attend, speak and vote, and will help us to register your attendance without delay.

Registration will be available from 9.30 am. For the safety and comfort of those attending the Meeting, large bags, cameras, recording equipment and similar items will not be allowed into the building.

The Meeting will commence at 11.00 am and light refreshments will be available from 10.00 am and also after the conclusion of the Meeting.

There is wheelchair access to the venue for shareholders who require it or those with reduced mobility. However attendees are strongly advised to bring their own carers to assist with their general mobility around the venue.

An induction loop system operates in the meeting room.

Directions to the venue can be found on the back of your attendance card.

If you do not wish, or are unable, to attend, you may appoint either the Chairman of the Meeting or someone else of your choice to act on your behalf and to vote in the event of a poll. That person is known as a 'proxy'. You are advised to use the enclosed form of proxy to appoint a proxy or to vote electronically as outlined above and in more detail on the enclosed form of proxy.

A proxy need not be a shareholder and may attend and vote on behalf of the shareholder who appointed him or her.

At the Meeting, the proxy can act for the member he or she represents. This includes the right to join in or demand a poll, and to vote on a show of hands. The proxy is also valid for any adjournment of the Meeting.

Please tick the appropriate box alongside each resolution on the form of proxy to indicate whether you wish your votes to be cast 'for', or 'against', or whether you wish to withhold your vote from, that resolution. Unless you give specific instructions on how to vote on a particular resolution, your proxy will be able, at his or her discretion, either to vote 'for' or 'against' that resolution or to withhold your vote.

Before posting the form to the Registrar, please check that you have signed it. In the case of joint holders, either or any one of you may sign it.

As stated above, the forms of proxy must be received in the offices of the Registrar no later than 11.00 am on 17 June 2009. Any form of proxy received after this time will be void.

In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as a corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Notes:

i. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote instead of him or her. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company.

ii. A form of proxy sent electronically that is found to contain any virus will not be accepted.

iii. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company at 6.00 pm on 17 June 2009 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

iv. Copies of the following documents are available for inspection at the registered office of the Company during usual business hours on weekdays (Saturdays and public holidays excepted) up to and including the date of the Annual General Meeting and at the place of the meeting 15 minutes prior to and until the close of the meeting:

(a) Register of the interests of each Director in the shares and other securities of the Company;

(b) Executive Directors' contracts of service;

(c) Non Executive Directors' letters of appointment;

v. A copy of the full Annual Report and Financial Statements for the year ended 31 December 2008, including the Remuneration Report referred to in Resolution 9, is also available on our Web site www.taylorwimpey.com.

Shareholder Information
Shareholder facilities

Financial Calendar
Annual General Meeting
11.00 am on 19 June 2009 at:

The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London, NW1 4LE.

Latest date for receipt of proxy instructions for 2009 Annual General Meeting:
11.00 am on 17 June 2009

Group Company Secretary and General Counsel and Registered Office
James Jordan
80 New Bond Street
London W1S 1SB
Tel: +44 (0)20 7355 8100
Fax: +44 (0)20 7355 8197
E-mail: james.jordan@taylorwimpey.com

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

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA
E-mail: ssd@capitaregistrars.com
Tel: +44 (0)871 664 0303
(Calls cost 10p per minute plus network extras)

Auditors
Deloitte LLP

Bankers
HSBC Bank plc

Solicitors
Slaughter and May

Stockbrokers
J.P. Morgan Cazenove Limited

Shareholders' Services
Web communications
At the Company's 2007 Annual General Meeting, shareholders voted overwhelmingly in favour of authorising the Company to introduce web communication at a future date.

On 3 March 2009 we wrote to shareholders explaining that the Company had decided to implement this authority and would in future make its shareholder communications (including the 2008 Annual Report and Accounts) available electronically through the Company's Web site www.taylorwimpey.com.

The benefits of web communication are that it will:

- enable the Company to reduce its printing and postage costs significantly
- enable shareholders to access information faster, on the day documents are published on the Company's Web site; and
- reduce the amount of resources consumed, such as paper, and lessen the impact of printing and mailing activities on the environment.

Shareholders were invited to confirm whether they still required hard copy documentation and the Company is, of course, happy to provide hard copies to such shareholders upon request.

Electronic communications
The Company also encourages shareholders to elect to receive notification of the availability of Company documentation by means of an e-mail. Shareholders can sign up for this facility by logging onto our Web site at www.taylorwimpey.com.

On-line facilities for shareholders
You can access our Annual and Interim Reports and copies of recent shareholder communications on-line at www.taylorwimpey.com.

To register for on-line access, go to www.taylorwimpey.com and navigate through to Investor Relations/Shareholder Information, and click on the service you require. To access some of these services you will first be required to apply on-line for a User ID.

Once you have registered for on-line access, you can make on-line enquiries about your shareholding and advise the Company of changes in personal details.

On-line proxies
Shareholders may also submit forms of proxy for shareholder meetings on-line at www.taylorwimpey.com.

Beneficial holders of shares with 'information rights'
Beneficial owners of shares who have been nominated by the registered holder to receive information rights under section 146 Companies Act 2006 should direct any communications and enquiries to the registered holder of the shares and not to the Company or its Registrar.

Duplicate share register accounts
If you are receiving more than one copy of our Annual Report, it may be that your shares are registered in two or more accounts on our register of members. You might wish to consider merging them into one single entry. Please contact Capita Registrars who will be pleased to carry out your instructions in this regard.

Low-cost share dealing services
We have arranged both telephone and on-line share dealing services for UK resident Taylor Wimpey shareholders to buy or sell up to £25,000 worth of Taylor Wimpey plc shares. The services are operated by Capita Registrars. To use the services either visit www.capitadeal.com or telephone +44 (0)871 664 0454 (Calls cost 10p per minute plus network extras). To deal, you will need to provide your surname, postcode, date of birth and investor code (which can be found on your share certificate).

J.P. Morgan Cazenove Limited also offer a postal share dealing service on behalf of the Company. For further details please contact them direct on +44 (0)207 155 5155.

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

Taylor Wimpey share price
Our share price is printed in most UK daily newspapers and is also available on our Web site www.taylorwimpey.com. It appears on Ceefax (BBC1 page 232) and C4 Teletext (page 520) and may be obtained by telephoning the Financial Times Cityline Service, telephone: +44 (0)9058 171690 and ask for 'Taylor Wimpey' on the voice activated response (calls cost 60p per minute).

Gifting shares to charity
If you have a small holding of Taylor Wimpey plc shares, you may wish to consider gifting them to charity. You can do so through 'ShareGift', which is administered by a registered charity, Orr Mackintosh Foundation Limited. Shares gifted are re-registered into the name of the charity, combined with other donated shares and then sold through stockbrokers who charge no commission. The proceeds are distributed to a wide range of recognised charities. For further details, please contact Capita Registrars or approach ShareGift directly on www.sharegift.org/sharegift or telephone them on + 44 (0)20 7930 3737.

Principal Operating Addresses

UK

Taylor Wimpey plc

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W1S 1SB

Tel: +44 (0)20 7355 8100
Fax: +44 (0)20 7355 8197

E-mail: twplc@taylorwimpey.com
www.taylorwimpey.com

Registered in England and Wales number 296805

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Spain and Gibraltar

Taylor Woodrow de España S.A.U.

C/Aragon, 223-223A
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Mallorca
Spain

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Fax: +00 (34)971 706 565

Taylor Woodrow (Gibraltar) Ltd.

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Tradewinds
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Gibraltar

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Arizona 85251
USA

Tel: +00 (1) 480 840 8100
Fax: +00 (1) 480 840 8156

Details of all our operating locations
are available on our Web site
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TaylorWimpey plc