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.